

FINANCIAL TIMES



Paris apartments

Why the city is selling up

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World economy

Consensus at risk

Samuel Brittan, Page 6

Olympic bonus

The wiring of Atlanta

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US politics

Staring at history

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World Business Newspaper

THURSDAY JANUARY 4 1996

Hong Kong airline drops plan to train pilots in Australia

Cathay Pacific, the Hong Kong carrier whose position is under challenge from China, reversed a decision to relocate its training facilities to Australia. It said it would continue to train its pilots in the colony. The airline said costs were the reason for shifting the operations when it made the original decision in September but had reconsidered on commercial grounds after a last-minute offer of cheap land. Page 10

Chirac presses for reforms to continue: President Jacques Chirac urged his ministers to push on with reform, but the French government's first legislative move of the year - approving a draft law on apprenticeships - was criticised by employers and unions. Page 10

Ikea's founder rules out family succession: Ingvar Kamprad, Swedish founder of the Ikea furniture store empire, does not want any of his three sons to become chief executive of the worldwide chain. Page 11; Safeguarding the future, Page 12

ITC to challenge tax evasion fines: ITC, India's biggest tobacco company, is to contest in court a Rs7,99bn (\$222m) fine for alleged tax evasion imposed by India's excise commissioner. Page 11; Lex, Page 10

Spain moves to restrict strikes: Spanish businesses and trade unions have agreed the outline of a pact aimed at improving the country's strike record, one of the worst in the European Union. Page 2

Hutchison Whampoa, the Hong Kong-based conglomerate, reorganised its telecommunications interests in a move to improve productivity and cost effectiveness. Page 11

Belgian budget deficit falls: The Belgian government unveiled figures showing a marked drop in last year's budget deficit, and said it remained on course to be one of the first European countries to participate in a single currency. Page 2

France Telecom is seeking around \$500m in damages from Poland and has asked the International Court of Justice to step in over a dispute with Warsaw about mobile telephone networks. Page 12

Railtrack sell-off to go ahead: The UK government is to go ahead with privatising Railtrack in May despite growing political opposition. Analysts expect the flotation will value the company, which has taken over British Rail's track, stations and signalling, at between £1.5bn and £2.5bn (\$3.55bn). Page 10

Aid group accuses Rwanda of theft: French medical charity Médecins Sans Frontières, expelled from Rwanda, accused the government of theft, saying it had confiscated vehicles and communications equipment worth up to \$700,000. Page 4

Six feared dead in Indian bomb blast: A bomb exploded in the heart of New Delhi, killing at least six people and seriously wounding about 20. A little-known separatist group claimed responsibility for detonating the device.

Disneyland clashes: A clash at Disneyland Paris left 14 people injured during a union protest for higher wages at the theme park. Page 2

Anti-matter breakthroughs: Scientists said they had created anti-matter - previously the stuff of science fiction - for the first time. Physicists in Geneva produced atoms of anti-hydrogen, a kind of mirror-image of normal hydrogen - the first time an anti-matter chemical element has been seen.

Crickets: South Africa were bowled out for 244 by England after a last wicket stand of 73 helped them to a first innings lead of 91 in the fifth and final Test in Cape Town. At the close on the second day, England were 17 for one in their second innings. The first four matches were drawn.

Ford unveils concept car: US carmaker Ford unveiled a futuristic and ultra-economic concept car, the Synergy 2010 (below), at the Detroit motor show. With room for six, the car is loaded with advanced technology and is one-third lighter and 40 per cent more aerodynamic than today's sleekest Ford. Aston Martin U-turn. Page 11; Indian car plant. Page 13



STOCK MARKET INDICES		GOLD	
New York Stock Exchange	5,187.22 (+18.87)	New York Comex	398.22 (+0.18)
Dow Jones Ind. Av.	1,671.30 (+7.39)	Feb.	398.22 (+0.18)
NASDAQ Composite	1,042.98 (+14.59)	London	398.22 (+0.18)
Europe and Far East	2,328.22 (+44.38)	Close	398.22 (+0.18)
DAX	3,715.8 (+27.7)		
FT-SE 100	3,715.8 (+27.7)		
Nikkei	11,111.11 (+111.11)		
US DISCOUNT RATES		DOLLAR	
90-day Treasury Bill	5.75%	New York Exchange	1.23
3-month Treasury Bill	5.50%	Feb.	1.23
6-month Treasury Bill	5.25%	Mar.	1.23
1-year Treasury Bill	5.00%	Apr.	1.23
2-year Treasury Bill	4.75%	May	1.23
3-year Treasury Bill	4.50%	Jun.	1.23
4-year Treasury Bill	4.25%	Jul.	1.23
5-year Treasury Bill	4.00%	Aug.	1.23
10-year Treasury Note	3.75%	Sep.	1.23
30-year Treasury Bond	3.50%	Oct.	1.23
10-year Treasury Note	3.25%	Nov.	1.23
30-year Treasury Bond	3.00%	Dec.	1.23
NORTH SEA OIL (Argus)			
Brent 15-day Feb.	\$18.50 (18.45)		
Brent 15-day Mar.	\$18.50 (18.45)		

White House blames top Republicans for shutdown

By Jurek Martin in Washington

The US budget battle turned nasty yesterday as the White House began blaming House Republican leaders it charged were responsible for the government shutdown, the impact of which was beginning to spread. Simultaneously the fissures between the hardline House and the more pragmatic Senate widened. The House Republican caucus came out in flat opposition to a temporary back-to-work motion sponsored by Senator Bob Dole, the majority leader, and approved by the Senate on Tuesday night.

Another White House negotiating session was planned for yesterday afternoon, with President Bill Clinton, Congressman Newt Gingrich, the House Speaker, Mr Dole, and other leaders of both parties. But its prospects were rendered dim by the war of words which preceded it. Mr Mike McCurry, the president's press secretary, said it was obvious that most Republicans wanted to end the impasse. He then accused three House Republicans - Mr Gingrich, Mr Richard Armitage, the majority leader, and Mr Tom DeLay, the chief whip -

of preventing a return to work by 250,000 federal employees and forcing about 500,000 others to work without pay or on less than full salary. "It's gruesome what they're doing to the federal workforce and what they're doing to the American people," Mr McCurry said. Mr Dole is clearly becoming frustrated by this second govern-

ment closure, now nearly three weeks old. He said on Tuesday night: "We've made our point, people have been gone from their jobs long enough." He added that the House Republicans' attitude was not "helpful". His proposal would put the government back in business until January 12 in the hope that the budget confrontation could be settled by then. But Mr Gingrich and other

leading House Republicans yesterday insisted that the government would remain partly closed until there was an agreement to balance the budget in seven years - which was certified as achievable by the Congressional Budget Office. The White House negotiations

Continued on Page 10
Tug of war, Page 9

Northrop bolstered by \$3bn defence deal

Westinghouse will use sale to pay down media debts

By Christopher Parkes in Los Angeles

Northrop Grumman, the Los Angeles-based defence contractor, yesterday won the \$3bn-plus auction of Westinghouse Electric's defence and electronics business, marking a further step in the reshaping of the US defence industry.

which has been squeezed hard by budget cuts across the world. The deal also tightened the links binding the leading players in the US defence industry. Northrop's fuselage-building arm was a major beneficiary of a recent \$18bn federal order for McDonnell Douglas's C-17 transporter aeroplanes.

Northrop, which makes the radar-eating E2 stealth bomber, will pay \$30m cash and assume a further \$60m in pension-related liabilities associated with the acquisition's 12,000 employees. Westinghouse, which recently sold its Knoll furniture subsidiary for \$65m, said total self-off proceeds to date of \$4.2bn would be used to pay down 65 per cent of the debts incurred in last year's \$5.4bn purchase of the CBS television network.

The group, which currently employs 37,000, is also an important supplier to Boeing, the leading civil aviation concern, and Lockheed Martin. Moody's Investors Service, which responded to the latest news by putting about \$700m of Northrop group debt under review for possible downgrading, said the Westinghouse businesses - including military and civil radar systems and anti-submarine warfare equipment - had "good earnings prospects and solid operating margins".

Mr Michael Jordan, Westinghouse chairman and chief executive, said the deal "capped" a three-year restructuring plan in which the concern's focus had been shifted to broadcasting and its diversified industrial portfolio had been sharply pruned.

The group, which last year turned over \$6.6bn, said it had received \$4.5m in financing commitments for the purchase, and had last year surpassed its target of reducing net debts by more than \$200m to \$1.6bn. Despite initial dilution effects,

The deal could give Westinghouse the financing leeway necessary to buy more media businesses. It was hailed yesterday in the defence industry as a crucial step in reinforcing the position of Northrop, which had been considered especially vulnerable because of the group's heavy dependence on the market for high-priced military aircraft

Continued on Page 10
Lex, Page 10



Steven Hawkins (left), colonel in charge of the position bridge across the Sava river, north-eastern Croatia, accompanied US secretary of defence William Perry as they walked over the bridge, the main US crossing point into Bosnia. Perry upbeat on Bosnia peace, Page 2

Hopes of further reductions in interest rates and continued low inflation

Markets surge on investor optimism

By Philip Coggan, Markets Editor, in London

Stock markets surged round the world yesterday as investors started 1996 in buoyant mood, looking forward to interest rate cuts and continued low inflation.

because they prompt investors to look for alternatives to holding cash, and because they reduce the borrowing costs of corporations and increase consumers' disposable income, helping profits growth.

European markets yesterday received a fillip from a stronger US dollar. A rising US currency helps exporters in hard currency countries, such as Germany, and boosts shares in soft currency countries, such as Spain, by allowing their monetary authorities to cut interest rates.

most other bourses were open. In London, the FT-SE 100 Index rose 27.7 points to a new closing high of 3,715.8, having reached an all-time high during the day of 3,719.3, as the market overcame the political worries that dogged it on Tuesday.

Shares in Amsterdam, Brussels, Cyprus, Dublin, Frankfurt, Johannesburg, London, Madrid, Oslo and Zurich all recorded intra-day or closing highs after Wall Street had set the tone with a 60-point gain in the Dow Jones Industrial Average on Tuesday night. The Dow was strong again in early trading yesterday, rising 25 points by 3pm New York time.

Interest rates fell across Europe and in the US in December as monetary authorities attempted to stimulate a slowing world economy. With few signs of inflationary pressure, there may be further cuts early this year. Low interest rates help shares

The biggest percentage rise in Europe yesterday came in Switzerland, where the SMI (Swiss market index) rose 2.6 per cent. The Zurich market was catching up with the rest of Europe, having been closed on Tuesday when

Johannesburg, the one non-European market to set a new high, was given a lift by the gold price, which fixed in London at \$393.40, its highest level since last April.

World stocks, Page 26
London stocks, Page 22

Dresdner Bank staff held in German tax evasion probe

By Andrew Fisher in Frankfurt

The crackdown by German authorities on tax evasion has led to the arrest of two Dresdner Bank employees suspected of helping clients avoid taxes by moving funds to Luxembourg.

tax evasion. They are also concerned to find out whether bank employees have advised customers to evade taxes.

This is the first time Dresdner Bank employees have been taken into custody following a series of raids on branches of the bank in the past two years.

Other banks involved in prosecutors' probes include Commerzbank, Hypo Kapitalmanagement, part of Bayerische Hypothek- und Wechselbank, as well as Merrill Lynch of the US and Norddeutsche Landesbank.

The two men are managers at the bank's Koblenz branch in North Rhine-Westphalia, south of Bonn. Mr Norbert Weise, head of the Koblenz state prosecutor's office, said the allegations stemmed from the original raids by the Düsseldorf prosecutor's office. These uncovered possible evidence which led investigators to look into transactions at Koblenz and other regional branches.

The banks have denied that they or their employees have committed any offences, saying they do not advise people to invest in Luxembourg for tax reasons. Because German taxes are high, mainly to pay for high reunification costs, German investors have been investing heavily in such locations as Luxembourg, Switzerland, Austria and Liechtenstein.

Dresdner Bank, which has reacted angrily to the raids, said the arrests were apparently not linked with the wider tax investi-

gation which centres on investors moving deposits abroad to escape tax. Instead, they involved alleged manipulation of invoices by a local businessman - who is also in custody - so that some payments to his company were made direct to Luxembourg away from the eyes of tax authorities.

OTHER RATES		STERLING	
UK 3-month Interbank	5.75%	London	1.5911 (1.5959)
UK 10 yr Gilt	108.11 (107.8)	DM	1.4428 (1.4347)
France 10 yr OAT	108.05 (108.05)	FF	4.8116 (4.8076)
Germany 10 yr Bund	103.84 (103.77)	SP	1.18107 (1.1599)
Spain 10 yr GSB	111.850 (111.850)	Y	104.385 (103.955)
		London	1.5911 (1.5959)
		DM	1.4428 (1.4347)
		FF	4.8116 (4.8076)
		SP	1.18107 (1.1599)
		Y	104.385 (103.955)
NORTH SEA OIL (Argus)			
Brent 15-day Feb.	\$18.50 (18.45)		
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صحة عن الاصل

NEWS: EUROPE

Spanish pact agreed to curb strikes

By David White in Madrid

Spanish business and trade union representatives have agreed on the outlines of a pact on compulsory mediation procedures aimed at improving the country's strike record, one of the worst in the European Union.

The two main labour confederations, the Communist-dominated Workers' Commissions and the Socialist-oriented General Workers' Union, have both formally approved the proposals and expect an agreement to be signed by the end of the month.

financial backing for a mediation service. The CEOE emphasised that the government had stayed out of the year-long negotiations between the social partners.

Previous attempts to resurrect tripartite consensus between the government, employers and unions, following the expiry of an Economic and Social Agreement in 1988, came to nothing.

The UGT described the proposals as "very, very positive" and said the procedures did not diminish union rights. The CEOE said, however, that the aim was to make industrial action "the last of last resorts".

Political solution proves elusive as unemployment nears 4m

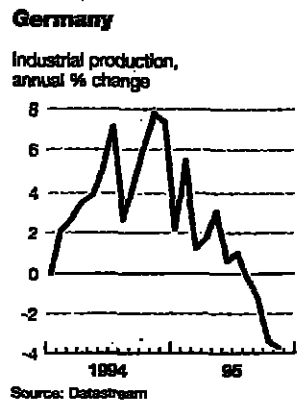
Jobs gloom dogs Germany

By Wolfgang Münchau in Frankfurt

The German economy is undergoing what in the US is known as a jobless recovery. The official statistics may register economic growth, but it has little significance in real life.

The German economy is not in recession, as defined by two subsequent quarters of economic decline. Growth last year is expected to be 2 per cent and a similar rate is predicted for this year. Yet Germany feels like a country in recession.

The Federal Labour Office, in one of its gloomiest new year predictions, estimates that unadjusted unemployment could breach the 4m mark this month or next, compared with 3.6m in November. The figure of 4m unemployed in east and west Germany would translate into an unemployment rate of over 10 per cent, close to the 1994 record. Unlike 1994, however, this seasonal rise is occurring when the economy is in the middle of a cyclical upswing.



The rapidly deteriorating labour market has become over the last three months the most predominant issue in domestic politics. Chancellor Helmut Kohl promised a jobs programme; the unions are offering wage restraint in return for new hirings; and employers' representatives are calling for an end to collective wage agreements and the dismantling of the welfare state.

The Federal Statistics Office yesterday published more evidence that the German economy is slowing considerably. Michael Lindemann in Bonn. While industrial production remained stagnant in November, rising just 0.1 per cent on the levels a month earlier, the more indicative two-month figures show production falling 1.5 per cent compared with output in August and September.

The year-on-year figures for November show industrial production 3.7 per cent lower. The rapidly deteriorating labour market has become over the last three months the most predominant issue in domestic politics. Chancellor Helmut Kohl promised a jobs programme; the unions are offering wage restraint in return for new hirings; and employers' representatives are calling for an end to collective wage agreements and the dismantling of the welfare state.

Last November, Mr Klaus Zwickel, head of the IG Metall, the metalworkers' union, suggested his "contract for labour", in which he proposed a zero per cent wage deal in real terms in return for a contractual commitment by the metal industry employers to hire 330,000 workers over a three-year period.

The employers, who have come under strong public pressure from all sides, remain divided between hardline liberals and the more traditional social market types. Mr Klaus Murrmann, the vitriolic president of Germany's employers' federation, wants collectively negotiated wage rates replaced with a three-tier structure, made up of a basic minimum wage, a voluntary contribution by the company and performance-related pay.

Scandal persuades Paris to sell the elite's council flats

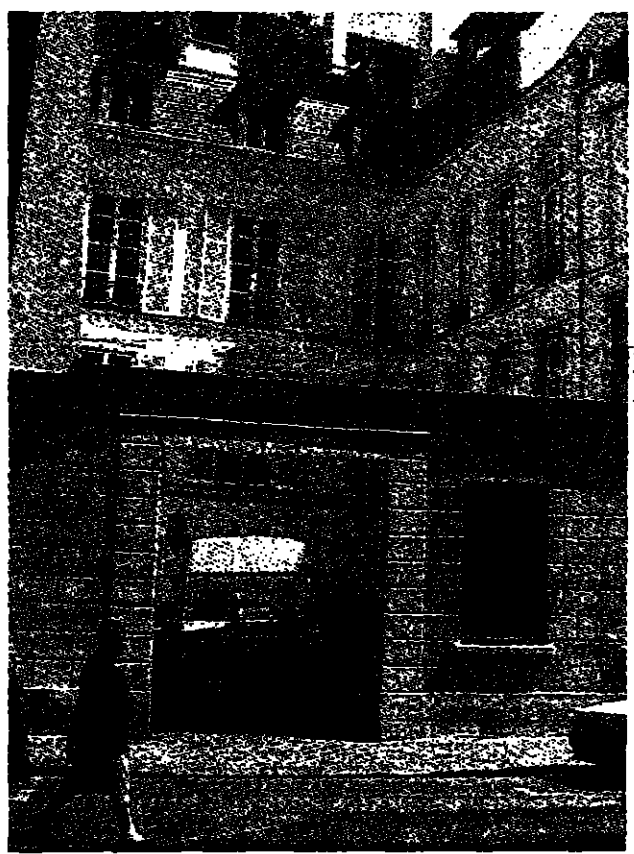
By Andrew Jack in Paris

Wanted: buyers for hundreds of council apartments in some of the best districts of Paris. Apply soon to the city hall.

Just when the housing market in Paris is in the deepest depths of a cyclical slump - made worse by property speculation over the past few years - the city authorities are embarking on an ambitious programme to sell more than 400 flats it owns in the nation's capital.

From spring 1996, a commission of independent experts convened by the city council will oversee the start of a huge disposal programme. Half of the flats are located in some of the most central and expensive addresses in Paris: the fourth, fifth and sixth arrondissements.

Of the 2,250 buildings owned by the city, there are 1,399 flats. Two-thirds of the flats will be transferred out of the direct ownership of the city, but not put up for sale. The remaining third will be put on to the open market - most to be sold by public auction - as their leases expire over the next 10 years.



Flats for the privileged: the city-owned apartment where Alain Juppé lived at a rent considerably below the market rate

In the run-up and aftermath to the presidential election race in 1995, the French press began to report on a growing number of the country's leading personalities - politicians, senior civil servants and even journalists - who were living in very comfortable city-owned accommodation.

The allegations set particularly awkwardly with President Jacques Chirac's campaign pledges to fight against "social fracture" or division between the elites and the rest in French society, and at a time when the economic climate was already beginning to change for the worse.

ence, and said no action would be taken as long as he moved out of his flat and into the prime minister's official residence. Mr Juppé's own flat in Rue Jacob is likely to be one of the first symbolic sales.

Mr Chirac as mayor of Paris between 1977 and 1985 was at least nominally in charge of the process of allocating apartments. He launched a policy to sell some city-owned housing after he took office, but progress has been slow.

The political fall-out over the city's housing policies has landed instead on Mr Chirac's appointed successor as mayor, Mr Jean Tiberi. Shortly after his appointment in June, he announced the creation of a commission to examine the problem, which published its findings last month.

It concluded starkly that the city "does not have the vocation to directly manage private property" and called for all of its housing stock to be handed over to special management organisations, while the rest should be sold.

Belgian budget deficit falls ahead of Emu

By Emma Tucker in Brussels

The Belgian government yesterday unveiled figures showing a marked drop in last year's budget deficit, and declared it remained on course to be one of the first European countries to participate in a single currency.

Measured as a percentage of GDP, the budget deficit dropped to 4.5 per cent, compared with 5.3 per cent in 1994. If Belgium is to qualify for a single currency by the end of the century, it must reduce the deficit to 3 per cent of GDP over the course of this year.

The government's debt level also fell, to 133.7 per cent of GDP. Although this compares favourably to 1994's 136.1 per cent, Belgium remains a long way from the Maastricht treaty's ultimate target for debt of 60 per cent of GDP.

disruptions to various public sector services although the scale of industrial unrest came nowhere near the level of protest witnessed in France. Yesterday Mr Philippe Maystadt, the finance minister, said relaxing current fiscal rectitude would be the right way to undermine consumer and business confidence.

"Any weakening in budget discipline would lead to a lack of confidence," he said. "We are not convinced that there is this traditional link between a decrease in the budget deficit

and a weakening of the growth rate." The government hopes to reach the 3 per cent deficit target this year, but is basing predictions on a growth forecast of 2.2 per cent. This is higher than independent forecasts which are hovering between 1.5 and 1.7 per cent for 1996. The government expects to revise its forecasts some time over the next few weeks.

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Russian spirits hit by vodka imports

By John Thornhill in Moscow

Russia's traditional bout of drinking over New Year has not brought seasonal cheer to the country's vodka distillers. Russian producers are complaining that an influx of cheap spirits from neighbouring Ukraine and Belarus is threatening both the profitability of their industry and the health of the population.

Mr Vladimir Yarmosh, president of Rosalco, the association which represents most of Russia's biggest distillers, said imports from other Commonwealth of Independent States countries accounted for about half the 2.5m litres of vodka Russians were estimated to drink each year.

He said low-grade vodkas from Ukraine and Belarus, in particular, had raised their share of the Russian market

from 10 per cent to 33 per cent in the last few months of 1995. Prohibition of cheap vodka has had some advantages, encouraging many Russians to use it to clean car windcreens. Unlike water, vodka

ing curbs were eased following the collapse of communism in 1991 and the subsequent liberalisation of trade.

It has been estimated that the Russian population of 150m now consumes substantially more vodka each year than the 280m citizens of the Soviet Union drank annually in the late 1980s.

But despite the big growth in the market, Russian distillers have been struggling to survive because of their antiquated production methods, higher licensing fees and taxes, and increased prices for raw alcohol and grain.

At the top end of the market, traditional Russian vodkas have been undermined by heavily marketed western imports, such as Absolut and Smirnoff, which have become the favoured sippers of the new money classes.

But the bottom end of the market has been undercut by cheap imports and home-distilled vodkas which escape taxes. While a half-litre of Russian vodka costs about Rb511,000 (£1,500), low-quality imported vodka can be bought for half that in street kiosks. Illegally produced vodkas cost even less.

The influx of cheap vodkas from neighbouring countries is not new in Russia. In his book, *History of Vodka*, the author Mr William Pokhlebkin noted that the development of capitalism in 18th century Russia had disastrous conse-

quences on the quality of local vodka production and the health of the common people. "The quest for wealth brought cheap brands of Ukrainian potato and beet vodka, mainly from Kiev and Poltava provinces, on to the Russian market."

"These vodkas were sold only on draught and by the bucket, which led to the most unrestrained drunkenness," he wrote.

Mr Yarmosh predicted some relief for Russian distillers this year when a new law which attempts to limit imports and give local authorities greater powers to clamp down on illegal producers comes into force.

But Russian producers would continue to be hampered by financial problems and a lack of bottling capacity, he said.

EUROPEAN NEWS DIGEST

Perry upbeat on Bosnia peace

Mr William Perry, US secretary of defence, the first US administration official to visit Bosnia since the outbreak of war in April 1992, said he believed the parties were "sick of war" and "ready to put the hatred behind them".

Mr Perry played down criticism that Nato had failed to act over as many as 16 people being held by Bosnian Serb police. Bosnian Serb authorities yesterday released three people, but the Muslim-led Bosnian government said an additional 16 were still being held after crossing into Dridza, a Serb-held suburb of Sarajevo. Mr Perry said in the absence of the international police force, which has not yet been despatched, Nato would do what it could to help resolve the matter. Lt General Sir Michael Walker, commander of Nato ground forces in Bosnia, yesterday met the local mayor of Dridza, who claimed the people had been arrested for "criminal activities".

The 1,500-strong international police force has not yet been despatched because only the European Union has pledged funds for a civilian operation, said Mr Carl Bildt, high representative for civilian administration.

Former warring parties are due to meet in Vienna for talks on arms reduction. The first step will be for the Bosnian Serbs and the Muslim-Croat federation to swap liaison officers. *Laura Silber, Belgrade*

No new Creditanstalt tender

Austria's new finance minister, Mr Viktor Klima, yesterday ruled out another public tender for the 70 per cent government stake in Creditanstalt, Austria's second largest bank, and said he would negotiate with groups which have already submitted bids.

The announcement suggests that Mr Klima, a social democrat, is willing to sell the bank to a Conservative financial consortium led by EA-Generali, the local subsidiary of the Italian insurance group. The so-called Austrian consortium, which also includes First Austrian Bank, Commerzbank of Germany and several industrial interests is believed to be the only group that made a concrete offer for Creditanstalt when the government solicited bids last autumn.

Former finance minister Mr Andreas Storzbacher, who resigned on Tuesday, called off the bidding process in October when the coalition government of Social Democrats and the Conservative People's party collapsed. The consortium is strongly favoured by the People's party but has so far been opposed by the Social Democrats. Efforts to find alternative buyers have failed as prospective bidders were discouraged by political uncertainty. The sale of Creditanstalt is expected to net over Sch800m (€11bn). *Eric Frey, Vienna*

Lithuanian PM to stay

Mr Adolfas Slezevicius, the Lithuanian prime minister, yesterday rejected opposition calls for his resignation following the Baltic country's recent banking crisis and dismissed speculation that the lita might be devalued.

"Some people would like me to resign but I won't... let my opponents push me out of the political arena," he said. Opposition leaders demanded Mr Slezevicius's resignation after it emerged that the prime minister had withdrawn a substantial sum of money from the Innovation Bank two days before it was closed by the Bank of Lithuania. In an address on national radio yesterday, Mr Slezevicius defended his decision to withdraw the money, saying had he not done so the opposition would have accused him of having a personal interest in saving the bank. "You can always find a stick when you want to hit somebody," he said.

Mr Slezevicius said the banking crisis would not affect the pegging of the lita to the US dollar. "Unpegging is out of the question. The currency is guaranteed by our gold reserves and reserves of hard currency," he said. *John Cornwall, Moscow*

Corinth bridge deal signed

The Greek government yesterday signed a \$900m (£600m) contract with an international consortium led by GFM, the French construction group, to build a toll bridge across the Corinth Gulf. The project is expected to get up an area of western Greece for development. The 2.3km bridge will link Rion and Antirion, replacing a 40-minute ferry crossing which is closed during the winter. Because of transport difficulties, the provinces of Aetolo-Achaea and Epirus have been neglected by investors and are among the European Union's least developed regions.

However, the Corinth Gulf seabed is an active earthquake zone and technical studies will take two years, while construction of the bridge will take a further five years. To reduce the risk of earthquake damage, the cable-stayed bridge, designed by SEBE, the French group's design subsidiary, will be supported on concrete piles sunk deep into the seabed.

The consortium will provide about 10 per cent of financing for the project through commercial bank loans. The Greek government will contribute 40 per cent, which is expected to include an Ecu200m (€340m) grant from the EU's cohesion fund for improving communications in poorer member states. The remainder will be covered through soft loans from the European Investment Bank.

Greece has been forced to seek private sector financing for several big infrastructure projects because of budgetary constraints and ceilings on EU grants. *Keris Hope, Athens*

France condemns attack

France yesterday condemned a bomb attack on a building housing a branch of a French bank and a French consulate in the Netherlands but avoided speculation that it might be a protest against its nuclear tests. The bomb badly damaged the building and blew out windows but no one was injured, said police (pictured left) who examined the surroundings of the building yesterday.

Describing the attack as "a criminal or terrorist act", foreign ministry spokesman Jacques Rummelhardt said the bombing of the Paribas bank in Arnhem was primarily an affair for the Dutch authorities. Dutch police said there were no claims of responsibility but speculated that the attack could be a protest against France's nuclear weapons testing in the South Pacific. The fifth test in the series was carried out last week.

President Jacques Chirac's decision last year to resume nuclear tests, breaking a 1992 moratorium, touched off a storm of protests around the world. *Reuter, Paris*

Disneyland clash injures 14

A clash at Disneyland Paris left 14 people injured during a union protest for higher wages at the theme park. The demonstration, the first involving injuries since the park opened in April 1992, took place at the weekend when about a dozen protesters tried to force their way inside, officials said yesterday.

Park attendants "tried to block them and there were injuries" among both protesters and personnel on duty, according to Mr Jacques-Henri Byrand, a spokesman for the park's parent company, Euro Disney. No damage was reported and the park continued operating.

Unions representing the 8,000 workers at the park are demanding monthly salary increases of FF1,250 (€250) for employees making less than FF10,000 a month. They are also asking for a 4 per cent increase for employees who earn between FF12,500 and FF24,000 a month. Disneyland Paris was reported to be offering a 2 per cent increase plus an additional 1 per cent on merit. *AP, Paris*

Thailand's finance minister faces sack

By William Barnes in Bangkok

Mr Annuay Virawan, Thailand's deputy prime minister, was yesterday given "overall responsibility" for the finance ministry, forcing the incumbent, Mr Surakiart Sathirathai, into the background ahead of his likely dismissal in a March cabinet reshuffle.

Mr Surakiart's effective demotion, announced yesterday by Prime Minister Banharn Silpa-archa, is seen as punishment for his handling of the sacking last month of Mr Ekamol Kirwat, the respected head of the Securities and Exchange Commission.

Mr Ekamol's dismissal was widely viewed by the markets as a politically inspired move after he had sought assurances from the government that the SEC would remain independent. That in effect sealed his fate.

The cabinet is unlikely to have opposed his dismissal and the task fell to Mr Surakiart, who is thought to have handled the dismissal badly. Cabinet colleagues have distanced themselves from Mr Surakiart.



Premier Banharn Silpa-archa announced move

"Prime Minister Banharn appears to have been told he's got a real political liability (by retaining Mr Surakiart)," said Mr Korn Chatikavanij, president of Jardine Fleming Thailand Securities in Bangkok. Mr Surakiart's relations with the financial community were

already cool before his showdown with the SEC chief.

A Harvard-educated law professor, Mr Surakiart was a former top adviser to the prime minister before being given the finance portfolio after last summer's election victory.

Mr Surakiart had steered clear of trouble until the Ekamol affair, though he had been under criticism over the slide in share prices last year, a widening current account deficit and rising inflation.

Mr Ekamol's sacking has left particularly bad feeling, because, so far, Mr Surakiart has failed to produce evidence in support of his allegations of impropriety against a man who is widely seen as an honest regulator committed to bringing the country's financial markets up to international standards.

Mr Ekamol has denied all charges against him. The markets have welcomed Mr Annuay's expanded brief. He is the former chief executive of the country's biggest private bank, the Bangkok Bank, and unlike Mr Surakiart has hands-on experience of international finance and banking.

Burmese opium warlord 'retires'

By William Barnes

The opium warlord Khun Sa, who this week "surrendered" to Burmese troops, will almost certainly be allowed to retire peacefully in Burma. His safe "retirement" appears to have been the price extracted for allowing soldiers of the Burmese military junta to seize his Ho Mong headquarters near the Thai border.

At his height Khun Sa was a high-profile and notorious enemy of Burma's military rulers. For years his self-proclaimed independent state in north-east Burma proved to be a political embarrassment for the military junta, provoking unsuccessful military retaliation by the authorities. Khun Sa boasted of a large private army and said that he took part in the heroin trade only to help "his Shan people".

Whatever bargain Khun Sa, a half-Shan, half-Chinese veteran of the international narcotics trade, has struck with the Burmese authorities it is likely to have little impact on the flow of heroin out of the so-called "Golden Triangle" in north-east Burma.

There are sufficient active Chinese and other "ethnic minority" drugs barons to ensure that the Golden Triangle remains the heart of the global heroin trade.

Khun Sa's rivals - notably the Wa hill tribe on the Yunnan border and the ethnic Chinese of the Kokang district - adopted, in contrast, a low political profile, the price for being allowed to ply their trade. As a result, their relations with the military junta appear to be trouble-free.

The US State Department last year complained that yields from opium gum crops had risen threefold since 1988 partly because "the government of Burma continues to treat counter-narcotics efforts as a matter of secondary importance".

The Burmese junta claims to have quietly encouraged drugs barons to switch their earnings into legitimate businesses.

Loans storm about to break

Tokyo faces backlash over bailout, writes Gerard Baker

While Japan's protracted financial crisis has reached into almost every corner of the country's economic life, it has so far failed to make much of an impact on national politics.

But that is about to change in 1996. A political storm is brewing over the government's decision just before Christmas to authorise the use of taxpayers' money towards the bailout of the seven bankrupt housing loan companies. Coming at a time of renewed political volatility it seems certain to damage seriously the government's authority and could influence the timing of the next general election.

Opinion polls show the decision to use at least ¥65bn (\$6.5bn) to pay off the creditors of the housing loan companies, or *jusen*, is deeply unpopular, and it is not difficult to see why.

The affair has brought into the limelight three of Japan's favourite *bêtes noires* - bankers, regarded as overpaid and incompetent; farmers, the recipients of vast sums of money in the form of subsidies; and bureaucrats, widely despised as elitist and occasionally corrupt.

The seven companies were founded by the leading banks in the 1970s to provide home mortgages, a field from which banks were excluded at the time. By the late 1980s they were deeply embroiled in the excesses of the bubble economy, lending vast sums for speculative development. After the collapse of prices over the last five years, they were in effect bankrupt by last year.

with more than ¥7,000bn of their ¥13,000bn loans non-performing.

Their principal creditors were the banks which established them, and the nation's agricultural co-operatives.

The banks reluctantly accepted the write-offs of most of their loans to the *jusen* as part of the liquidation deal, but the farmers' co-ops refused to bear more than a small portion of their losses, so the government stepped in to fill the gap.

As part of the 1996 budget proposals, the plan must be approved by the lower house of the Japanese parliament by the end of March. It will have a rough ride.

Presented with a golden opportunity to embarrass the government, Mr Ichiro Ozawa, the newly elected leader of the main opposition New Frontier party, has already seized the initiative. In New Year messages to his party, he pledged to fight the plan, promising to make the coming parliamentary session, which begins later this month, "the *jusen* session".

Since the coalition government of Liberal Democrats (LDP), socialists (SDP) and New Harbinger Party, has a large majority in the lower house, in principle the budget should not be in any danger.

The problem, however, is that some government members are growing increasingly nervous about the popular backlash that might follow if they vote for the plan.

The largest coalition member, the LDP, has little choice but to back the bailout. The



Ozawa: seized initiative

principal beneficiaries of the scheme are the nation's farmers, one of the most powerful lobbies in the LDP.

Members of New Party Harbinger, the smallest coalition partner, are split on the plan, but they too have a political imperative which makes them likely to back it. Their leader is Mr Masayoshi Takemura, the finance minister, who will ultimately bear the responsibility of forcing the legislation through parliament.

The biggest potential threat comes from the socialists, the party of the prime minister, Mr Tomiichi Murayama. The prime minister has already urged his colleagues to back the bailout but has received only muted support.

In any case the party is due to be disbanded this year and members are already in open division about which direction they should take. However, neither faction is enthusiastic about the *jusen* plan.

Against this background the government's hopes of ensuring the bailout is accepted will depend on some significant concessions.

The prime minister has stated repeatedly that the price of the bailout must be the unrelenting pursuit of those responsible for the *jusen* mess. The usual suspects include politicians, bureaucrats and bankers. The government hopes the public, and therefore sceptical members of parliament, will accept the rolling of the political tumblers in exchange for passing the bailout.

Opposition members and some socialists have indicated they would accept the heads of senior bureaucrats and some politicians. But the real struggle is likely to be over the list of names.

The process began last week with the resignation of the top bureaucrat at the finance ministry, Mr Kyosuke Shinozawa. Opposition politicians are pressing for it to be taken much further. They are particularly eager to see political responsibility carried by relevant ministers, and may also demand changes in the most senior echelons of the finance ministry.

Few politicians expect the plan to be defeated outright. Aware of the implications for Japan's markets of the bailout's rejection, Mr Ozawa and colleagues seem likely to back it eventually.

But the price of their acquiescence will be high, and for the time being at least they can look forward to exploiting the government's discomfort. Editorial Comment, Page 9

Bangkok shortlists nine consortiums for railway

By William Barnes

Thailand's Mass Rapid Transit Authority has shortlisted nine consortiums, out of 30 applicants, to bid for the \$1bn contract to build the first 20km of Bangkok's underground railway.

There has been heavy interest because the Thai government has decided to pay for 86 per cent of the project itself and because the contractor will be well placed to extend the system later.

Tenders for the mechanical work - of roughly equivalent value - will be called for early this year. This is the fifth time bids have been invited since the first feasibility studies

started in 1978. Although political inertia and bureaucratic wrangling has so far stymied the development of this and other mass transit projects, the MRTA's director, Mr Theerapong Attaharuit, is confident progress will now be made.

The government dropped Bangkok Land, which was the priority bidder for a build-operate-transfer elevated railway, when it decided to fund an underground transit system for environmental reasons.

The shortlisted consortiums are Italian-Thai - Thailand's biggest development company with wide experience of large-scale infrastructure projects in Bangkok - in partnership with Obayashi and Nishimatsu, the

Japanese construction groups; the German Philipp Holzmann group, leading a group of 14 German and Thai companies; Bilfinger & Berger, another German group that has joined forces with CH Karnchang, the powerful Thai group, and two Japanese companies, Kumagai Gumi and Tokyu Construction; France's Sae International, leading a consortium that includes Britain's Tarmac group; and Japan's Kajima with Thailand's Siam Syntech Construction.

The remaining four consortiums are led by France's Bouygues group, Spain's Dragados y Construcciones, Japan's Taisei and Germany's Dyckerhoff & Widmann group.

Malaysia studies Vietnam refinery

By Robert Corzine

Conoco, the US oil company, and Petronas, the Malaysian state petroleum producer, say they are studying the viability of a Vietnamese refinery project abandoned by Total, the French oil group, last September.

The two companies are to undertake a joint feasibility study of the proposed refinery, which Hanoi wants built at

Dung Quat, a remote and relatively undeveloped location on Vietnam's central coast 130kms south of Danang.

Total walked away from the \$1.2bn (£774m) project because of the proposed location and its lack of infrastructure. The area had been chosen by Hanoi for political, rather than commercial reasons, with the aim of boosting the economy of the poor central province.

Total wanted to build a refinery

further south at Vung Tau, the main centre of Vietnam's oil industry, and near the offshore oil fields and the main markets around nearby Ho Chi Minh City.

Mr Hassan Merican, Petronas president, said in Kuala Lumpur yesterday: "We have requested a 30 per cent interest in the refinery," which if built would be the first in fast-growing Vietnam.

Reuters reported that the LG

group of Korea, formerly Lucky Goldstar, was also involved in the project, in which Daewoo, another Korean conglomerate, has also expressed interest.

But a spokesman for Conoco, oil subsidiary of the Du Pont chemical group, later said that only Petronas and Conoco were acting jointly and that it was too early to talk about the allocation of percentages among the potential partners.

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NEWS: INTERNATIONAL

French aid group accuses Rwanda of theft

By Michela Wrong in Nairobi

A French medical charity expelled from Rwanda accused the government yesterday of theft, saying it had confiscated vehicles and communications equipment worth up to \$700,000 (\$454,500) and was planning to seize drugs worth another \$200,000.

Médecins Sans Frontières (MSF), whose French wing was one of 38 non-governmental organisations ordered out on December 6, said Rwandan troops had taken 16 of its vehicles and communications equipment and were occupying its compound in Kigali, compiling a list of pharmaceutical stocks they obviously intended to confiscate.

"Because we have had no response from the government to our repeated requests for an official explanation for our expulsion, we consider the seizure of this equipment as theft," said MSF's André Le Sage.

Last month's expulsions were the climax of months of growing tension between the aid organisations and the government set up by the Tutsi-led Rwanda Patriotic Front (RPF), which seized control of the country in 1994, chasing out the Hutu administration responsible for genocide. Immediately after the fall of Kigali, scores of charities poured into the deserted capital. With no administrative structures in place they initially were a law unto themselves, opening offices and recruiting staff. The hundreds of four-wheel-drive vehicles they imported often appeared to be virtually the only traffic on the streets.

While many were internationally respected organisations, others were more obscure. A list compiled by the Rwandan government showed 158 entries and included such groups as Sustainable Agricultural Development for Orphans, Americans for African Adoption, Friends in the West, Reformed World Committee and the fundamentalist Safe Harbour International.

Many of the groups were underfunded and never bothered to go through the proper registration procedures once a new government was in place.

As time has gone by, the government's tolerance of such groups, regarded locally as job-creation schemes for expatriates, diminished. Aid workers said the government no longer appeared willing to meet or talk to the NGOs.

Diplomats have also increasingly queried the usefulness of funnelling foreign aid through the aid agencies when the government is having trouble raising the funds to build new prisons and reconstruct its war-shattered administration.

While recognising that the government is trying to clean up the NGO situation, MSF-France, the most prominent of the expelled agencies, said yesterday it believed it had been victimised for speaking out.

The agency had denounced army atrocities and issued a hard-hitting report on the appalling conditions in the over-crowded jails. The Kigali government, always highly sensitive to criticism from French quarters, was incensed when MSF estimated that up to 8,000 Hutus had been killed when an army operation to clear a Hutu refugee camp in Kibeho last year erupted into violence. The figure later proved exaggerated.

Business leaders put their faith in Egypt's new PM

By James Whittington in Cairo

As Mr Kamel Ganzouri, Egypt's new prime minister, began putting together a fresh cabinet yesterday, the mandate for his premiership was no doubt ringing in his ears.

Announcing the unexpected change in government on Tuesday night, President Hosni Mubarak declared that the new administration would prepare Egypt for the 21st century by raising standards of living and renewing the impetus of economic reform.

It is not the first time an incoming prime minister has been charged with rejuvenating Egypt's depressed and antiquated economy. Mr Atef Sedki, the outgoing and ailing premier, who like Mr Ganzouri holds a doctorate in economics, was appointed by the president in 1996 on a similar platform.

While Mr Mubarak keeps a firm hand on the country's defence, security and foreign policies, he allows some flexibility in management of the economy.

In Mr Ganzouri, 62, he said he was looking for someone who would speed up and "give an impetus and activate [economic] development".

Policies are not expected to change much, but business leaders and the main donor countries hope Mr Ganzouri will succeed where Mr Sedki failed, by pushing ahead with faster and deeper reforms.

Although it embarked upon serious economic reform rather late in the day, the previous administration has been credited with overseeing the transition to macroeconomic stability.

Inflation, at 4.9 per cent in November, is at its lowest in more than 30 years. The budget deficit has been slashed to 1.7 per cent of gross domestic product from 17 per cent four years ago. Foreign exchange reserves had been built up to about \$18bn (£12bn) at the end of 1995.

However, there has been a failure to maintain the momentum of reforms and no real attempt to embark on privatisation, deregulation and the removal of trade barriers.

As a result, immense structural problems continue to plague the country's development. A quarter of Egypt's 60m people live on less than \$35 a month, according to the World Bank; unemployment is officially 20 per cent and unofficially much higher; and economic growth barely keeps up with a population growing at 2.2 per cent a year.

Such problems should certainly not come as a surprise to Mr Ganzouri. Appointed planning minister in 1984 and deputy prime minister in 1987 he has been at the heart of government for 12 of Mr Mubarak's 15 years in office.

"If one is to judge him on the basis of his career so far, he is pro-central planning and pro-public sector," said Mr Said el Naggari, a prominent economist who has little confidence that the new government will amount to anything more than a shuffling of cards.

Mr Maghdi Hussein, editor of Al Shaab, one of the most vocal opposition newspapers, argues that the only reason the new administration was announced this week was to absorb some of the anger felt by ordinary Egyptians after last month's controversial parliamentary elections in which the ruling National Democratic party swept away nearly all opposition candidates.

However, Mr Ganzouri has left a favourable impression on officials of the International Monetary Fund and World Bank after his active role in discussing economic reform with visiting delegations.

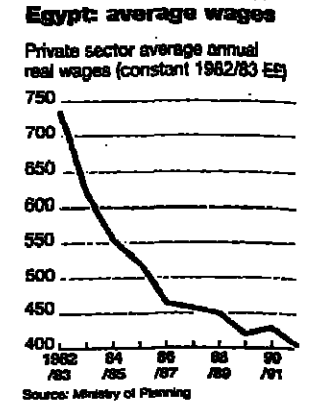
Furthermore, leaders of Egypt's business community seem to like him. "[Ganzouri] has emerged as pro-private sector over the past year or so," said Mr Raouf Ghabbour, who owns one of the country's biggest car assemblers.

Others point to a number of disputes with the public sector in which the new premier has sided with free enterprise.

Most recent is the row over the private sector's marketing and selling of cotton which has been attacked by some in the government as "irresponsible profiteering".

One senior government official said his main hope lay in improving co-ordination in the cabinet between various economic portfolios which broke down under Mr Sedki.

"At the end of the day Egypt's prime minister remains an office manager. But if he runs an efficient office and is persuasive with the executive [ie. the president] then he can be effective," he said.



Brazil acts to speed up reform moves

By Angus Foster in São Paulo

Brazil's Congress will be recalled for a special six-week session from Monday in a government effort to speed up approval of reforms originally due to be passed last year.

President Fernando Henrique Cardoso, who met top advisers yesterday, decided to recall Congress from its annual recess because of the urgency of some of the reforms. Approval had been delayed by opposition to some of the more controversial proposals, and by two scandals which hit the government and Congress late last year.

Mr Marco Maciel, vice-president, said six proposed reforms would be priorities in the special session. They included changes to taxation, social security and the civil service and an extension of emergency measures to help balance the budget.

A separate proposal, to break the government's monopoly on reinsurance business in Brazil, will also be emphasised. Congress will also be asked to approve a new tax on financial movements, to help fund Brazil's creaking health system.

The reforms are seen by analysts as vital to reduce government spending commitments and streamline its finances. But the implied spending cuts have angered many powerful interest groups and were partly responsible for last year's delays. The government has warned that if the emergency budget measures are not approved quickly, this year's trimmed spending commitments will face further cuts.

The mood in Congress appears to have improved since before Christmas, when scandals over an Amazon radar contract and illegal election funding had weakened Mr Cardoso's coalition of supporters. But both scandals could yet return to haunt the government.

Mr Cardoso last month reaffirmed his support for the \$1.4bn Amazon radar project, but stressed that the final go-ahead for the plans rested with the Senate, where its financing still needs approval.

Earlier three members of Mr Cardoso's government resigned in an influence-peddling scandal indirectly linked to the project.

Some reforms, such as the budget measures, are opposed by powerful congressional leaders while others, including changes to the social security system, are opposed by many.

Success or failure during the special session may determine the government's performance for the whole year - ministers admit a slow start would be damaging. Little progress is expected in the second half of the year, once campaigning gets under way for municipal elections due in October.

Many congressmen intend to contest the elections, so will not want to vote for unpopular reforms. The two parties which form the bulk of Mr Cardoso's congressional backing will also be disputing many important municipalities, which could further strain their alliance.

Ailing bank put in private hands

Banerji, the troubled Brazilian bank owned by the state of Rio de Janeiro, moved closer to privatisation yesterday when a private sector bank took administrative control.

Angus Foster reports from São Paulo.

Banco Bozano, Simonson, one of the most active banks in Brazil's privatisation programme, will control Banerji for about a year and prepare it for privatisation. Bozano, Simonson won the right to administer Banerji in a public competition late last year.

Banerji, along with many Brazilian state-owned banks, has suffered from years of political interference. Most analysts believe it needs recapitalising and a programme of job cuts to compete against private banks.

Rio's state government has been praised by the central bank for its determination to privatise Banerji. The state of São Paulo has blocked privatisation of its even more troubled Banespa bank.

The privatisation of Banerji will be opposed by employees and unions. On Tuesday, during a ceremony to hand control to Bozano, Simonson, the bank's head office was evacuated after a bomb hoax.



Hanan Ashrawi, former peace negotiator and candidate in Jerusalem, campaigning yesterday. A champion of human rights, she says PLO leader Yasser Arafat has curbed press freedom

Palestinian candidates tout intifada credentials

By Julian Ozanne in Ramallah

The Palestinian election campaign got under way in earnest yesterday in a flurry of activity and confusion.

In the West Bank and the Gaza Strip young men put up campaign posters on walls and on billboards above roads and distributed campaign leaflets advertising the merits of some of the 750 candidates running for an 88-member legislative council to be elected on January 20.

In Syngil, a small West Bank village between Ramallah and Nablus, seven candidates representing most of the Palestinian political spectrum participated in the first organised public debate. Almost the entire village crowded into a small makeshift concrete hall to hear the candidates emphasise their personal credentials in the intifada, the battle against Israeli occupation.

In a reflection of the popular mood, few candidates are willing to praise the Israeli-Palestinian peace accords which have led to the elections and almost all candidates promise clean government and a tough line in future negotiations with Israel.

Mr Mustapha Barghouti, a candidate for the People's Party of Palestine in the Ramallah electoral district, told the crowd that the election was about genuine democracy. "It has to be about equality before the law and equity means everybody has the same chance to get jobs," he said in an apparent criticism of patronage in the allocation of jobs by the Palestinian Authority.

Mr Azmi Shuahi, who served as "minister" for youth and sports on the recently disbanded Palestinian Authority warned voters against being swayed by loyalty to tribe, clan and family.

But as the campaign went into full swing yesterday there was still deep confusion about the electoral process and the potential partiality of the Palestinian Central Election Commission. Hundreds of foreign election monitors, few of them with a working knowledge of Arabic, were trying to grapple with the complexities of the first Palestinian elections.

Peace hopes lift spirits in Israel and N Ireland

By Diane Summers, Marketing Correspondent

The Arab Gulf states and Israel have emerged as the nations most optimistic about their prospects for 1996, while Hong Kong and Hungary are the most pessimistic.

The findings come from a survey, conducted in November and December, of more than 58,000 people in 50 countries questioned by Gallup International, a worldwide association of market research companies.

Asked whether 1996 would be better, the same, or worse than 1995, 68 per cent of respondents in the Gulf states and 66 per cent in Israel thought it would be a better year. Optimism was also high in Northern Ireland, where 65 per cent said it would be better.

Gallup International said the "imminent spread of peace in the Middle East may account for Israel and the Gulf states' top-of-the-league placings. Similarly, perhaps the continuing peace in Northern Ireland accounts for their own third place".

Behind Northern Ireland, the most optimistic populations were found in New Zealand, South Africa and Brazil, amongst the list, particularly when other EU members feature prominently as optimists.

But the greatest change has been in Mexico, Gallup reports. "Last year's survey saw them ranked as the eighth most optimistic nation, with 54 per cent believing 1996 would be a better year than the previous one. But economic collapse has blighted their optimism and so, in this survey, 45 per cent of Mexicans believe 1996 will be worse than 1995," it said.

Given the increasing disenchantment with market economies in some eastern European countries, Gallup said it should not be surprising to find Hungary, Ukraine, Lithuania and Russia among the ranks of the pessimists. But, it added, "it is more of a surprise to find European Union members Belgium and Greece amongst the list, particularly when other EU members feature prominently as optimists".

Behind Northern Ireland, the most optimistic populations were found in New Zealand, South Africa and Brazil, amongst the list, particularly when other EU members feature prominently as optimists.

Cuba comes out of shell to search for allies

Pascal Fletcher reports on Castro's tireless globetrotting to ward off isolation and boost island's trade

Last year may be remembered as the one in which Cuba's President Fidel Castro travelled more widely than ever before in more than 35 years at the helm of the island's socialist revolution.

In 12 months, the 69-year-old Cuban leader visited Europe, the Caribbean, Latin America and the United Nations in New York. He finished the year in December with an extensive two-week tour of Asia, making a first trip to China and also visiting Vietnam and, briefly, Japan.

Mr Castro's globetrotting is part of a diplomatic offensive that has gathered pace over the last two years. Its aim is to ward off the threat of isolation posed by a continuing US economic embargo against the island and the absence of the Soviet-led communist alliance that was Cuba's biggest economic, political and military support for three decades.

"These visits show that, contrary to what our enemies say, Cuba is neither isolated nor alone," a senior Cuban Foreign Ministry official said.

The main enemy continues to be the US government which seeks to portray the communist-ruled island as a pariah state on a par with Iran or Iraq. Cuba has not forgotten the snub of its deliberate exclusion from the December 1994 Summit of the Americas hosted by President Bill Clinton in Miami.

So Cuba is reaching out for friends abroad; especially those who will support its counter-campaign against the US embargo and boost the island's struggling economy with trade, investment or, even better, financial credits.

Mr Castro is not the only member of the government who has clocked up flying hours over the year. Cuba's youthful foreign minister, Mr Roberto Robaina, now travels so often that he calls himself a "career diplomat". Mr Francisco Soberon, central bank president, visited Cuba's main creditor nations in September in an effort to unblock stalled Cuban debt negotiations.

This diplomatic flurry contrasts sharply with the defensive mentality of the early 1990s, when the Cuban leadership was still struggling to come to terms with the abrupt collapse of the Soviet bloc alliance.

Cuba is also seeking to cement friendships with old enemies. Touring China in early December, Mr Castro said the two nations were like brothers. But many Cubans remember the ideological war of words between Havana and Beijing in the 1970s, which reached its peak over the brief Chinese invasion of Vietnam at the end of the decade.

Now Cuba wants to learn how these countries are combining capitalist-style reforms with one-party socialism.

Many of the states visited by Mr Castro were hosting big international meetings. For example, a world forum on social issues in Copenhagen in March, the inaugural summit of the Association of Caribbean States in Trinidad and Tobago in August, the Ibero-American summit in Argentina in October and the non-aligned summit in Colombia the same month.

These provided the Cuban leader, who can still generate considerable charisma, with international platforms from which to publicise his stand against the US and his government's new policies of economic reform and opening to foreign investment.

One world stage which he used to his advantage was the United Nations 50th anniversary celebration in New York in October. He shrugged off official snubs from Mr Clinton and the mayor of New York, addressed public rallies, met US business leaders and churchmen and commanded massive media attention. Cuban state media hailed the trip as a "victory".

Cuban officials point to the overwhelming UN General Assembly vote on November 2 calling on the US to lift its embargo as an example of how the diplomatic campaign is paying off.

Underpinning the new, outward-reaching mentality in Havana is increased confidence about the situation at home. "He [Mr Castro] must be 100 per cent sure of things at home to spend so long outside the island," one Havana-based diplomat said.

The Cuban leader clearly feels confident enough to leave the day-to-day running of the nation in the hands of his younger brother, Mr Raul Castro, the defence minister, and a small group of younger officials who have been taking increasing responsibility, especially for economic matters. Prominent among these is vice president Carlos Lage, in his early 40s, who appears to be acting as a kind of *de facto* prime minister.

Cuba's rulers, from Mr Castro downwards, are upbeat about the future. They repeat, like a mantra, the following argument, evoked most recently by Mr Raul Castro: "Today people in the world are not talking about whether Cuba will disappear or not. They are discussing how long it will take us to completely recover."

Cuban officials regularly cite a raft of statistics to back their assertions that the economy is beginning to grow again after four years of contraction, that foreign investment and exports are increasing and that financial and monetary reforms are starting to bear fruit.

INTERNATIONAL NEWS DIGEST

Mexico exports lifted by peso

Mexico recorded a trade surplus of \$6.9bn for the first 11 months of last year, compared with a deficit of \$16.8bn for the same period in 1994, according to figures released by the commerce ministry. Exports increased 31.6 per cent to \$73.1bn, fuelled by the sharp devaluation of the peso, while imports fell 8.4 per cent to \$66.2bn.

Increases in exports were particularly marked in agriculture and mining, both of which registered rises of almost 60 per cent. However, industrial exports, which rose 32.7 per cent to \$61.2bn, and petroleum exports, up 13.5 per cent to \$7.7bn, represented far more of total trade.

Lower short-term interest rates and upwards movements in markets worldwide helped the Mexican stock exchange to climb above 3,000 points for the first time yesterday. In later trading the bolsa fell back to 2,993 points, with the peso strengthening 1.5 per cent to 7.56 to the dollar.

Analysts said that greater currency stability, in part brought about by Banco de Mexico's intervention, had allowed interest rates to continue their recent fall. "People are also bringing money back because they think that the political situation this year may be clearer and more stable than in 1995," said Mr Felix Boni, head of research at James Capel in Mexico City.

Daniel Dornbey, Mexico City

Yemen and Eritrea 'nearer deal'

Yemen and Eritrea were moving closer to settling their dispute over three Red Sea islands, an Ethiopian mediator said yesterday. Mr Seyoum Mesfin, Ethiopian foreign minister, told Saba, the official Yemeni news agency, that he had handed President Ali Abdullah Saleh of Yemen a draft agreement.

He did not elaborate on the proposal, but diplomats said it called for the immediate withdrawal of Eritrean troops from the island of Greater Hanish, followed by negotiations on all aspects of the dispute. Mr Saleh said he wanted to settle the problem, but criticised Eritrea for falling to specify whether it was seeking a solution to the Greater Hanish problem or to the feud over all three islands.

Ethiopian officials have been shuttling between Sana'a and the Eritrean capital of Asmara to mediate in the conflict which flared up in mid-December, when Eritrean forces took control of Greater Hanish.

The island sits astride shipping lanes 160km north of the Bab el-Mandeb Strait, the main entrance to the Red Sea. The two nearby contested islands, Zouqar and Lesser Hanish, are at present under Yemeni control.

AP, Sana'a

Clinton nominee for trade post

President Bill Clinton said yesterday he planned to nominate Mr Stuart Eizenstat, who is serving as US representative to the European Union, to be under-secretary of commerce for international trade.

If his nomination is confirmed by the Senate, Mr Eizenstat will administer the commerce department's international trade administration, managing trade policy development, export promotion, investment policy and commercial relations.

He was chief domestic adviser to President Jimmy Carter and later held a number of positions in the private sector and academic world.

AP, Washington

Opposition leader woos Japanese investors

By Robert Shrimley, Lobby Correspondent

Mr Tony Blair, leader of Britain's main opposition Labour party, will tomorrow seek to reassure Japanese businessmen that a Labour-run Britain will remain an attractive prospect for inward investment.

regulation of markets in a climate of low-state interference, low inflation and no wholesale repeal of trade union reforms.

Labour's desire for a "high skill, high technology economy" with a well trained workforce presents the best hope of meeting the challenge.

While the Labour leader was en route to Japan yesterday his deputy, Mr John Prescott, was heading a strong attack on the attempts by Mr Arthur Scargill, the miners' leader, to launch a new socialist party.

both parties. However, Mr Prescott said there was never any chance of Labour allowing dual membership.

Lottery ticket sales set to defy the odds

By Daniel Green

More than 80m lottery tickets are likely to be sold this week to a population of 56m, a 14 per cent increase on the UK National Lottery jackpot yet.

guarantee winning the jackpot. A £14m bet that would return £36m looks good. But the prize in the National Lottery is divided between winners.

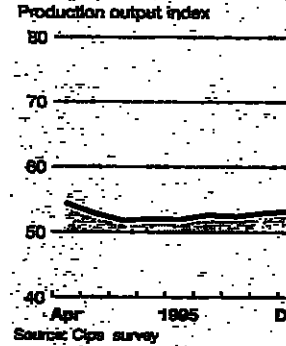
Economy: Companies report acceleration in rate of job creation

Slight fall in manufacturing prices

By Gillian Teet, Economics Correspondent

Fresh signs that price pressures remain subdued in the UK manufacturing sector emerged in a business survey yesterday.

Mixed picture for manufacturing



The UK's official reserves fell by \$348m (£226m) in December, the Treasury said yesterday, Gillian Teet writes.

This brought the overall level of reserves to \$46.99bn at the end of 1995, down from \$47.33bn at the end of November.

Erratic items not counted in the underlying figure include Ecu Treasury bill proceeds, repayment of long-term debt and repayments made under the public sector exchange cover scheme.

The data are likely to be welcomed by the chancellor, who has argued that price pressures in manufacturing would ease towards the end of 1995.

Businesses still continued to increase their output - at an even faster rate than the previous month. The output index in December was 53.3 per cent.

and could weaken further. But others argued that the survey should suggest that manufacturing could be heading for a slowdown.

Pressure for further action on reform of competition law

When later this year the British government begins public consultations on its plans for reforming UK competition law, it might reflect on the experience of the people of Darlington in northern England.

Stefan Wagstyl on criticisms of the British government's stance

The Monopolies and Mergers Commission carries out in-depth studies. The trade and industry secretary generally has final authority over action taken against companies found to be acting in breach of the public interest.

are thus familiar with it. The government is considering adopting the prohibition principle for cartels, because such producer agreements are relatively easy to define and police.

Ministers also oppose the committee's recommendation for merging the two bodies - they believe the separation of authority prevents abuse of power. They like what Mr John Bridgeman, director-general of fair trading, calls the "delicate balance" of the existing institutions.

ARAB NATIONAL BANK PUTS SAUDI ARABIA ON THE INFORMATION TECHNOLOGY MAP!

Computer World's Global 100 Outstanding Users of Information Technology From Around the World. List of 100 companies across various countries including Argentina, Australia, Belgium, Brazil, Canada, Chile, Czech Republic, Egypt, France, Germany, Hong Kong, India, Israel, Italy, Japan, Korea, Malaysia, Mexico, Netherlands, New Zealand, Norway, Singapore, South Africa, South Korea, Spain, Sweden, Switzerland, Taiwan, Thailand, UK, USA, and West Germany.

Four quote boxes from various publications: 'Arab National Bank, using a microcomputer-based LAN platform, has in just four years, moved from a basic level to a very advanced one...'. 'Arab National Bank has taken a leadership role in the Arab world...'. 'Last year ANB led the field in the Arab world...'. 'Customers will be able to order goods and services from Teletel Gold'.

We are rightly proud of our achievement. Arab National Bank logo and name in Arabic and English.

TECHNOLOGY

When the eyes have it

Computers have overtaken human brains as calculating machines. They have recently beaten the best chess players. But in some information processing tasks brains still outperform supercomputers.

Seeing is one such task. Receptors in the eye convert light into electrical signals for analysis by the brain. Electronic hardware can capture images but analysis requires human intervention. Recently it has become clear that the brain analyses different aspects of the image - particularly colour, encoded by differences between the signals from wavelength-selective "cone" receptors, and motion, encoded by variations in timing of signals from different locations - in different processing modules.

In the Journal Nature, Simon Cropper, of the University of Wales at Cardiff, and I show that there must be a module that combines the tasks and analyses the motion of coloured stimuli. One indication that colour and motion are analysed separately is that the motion of a coloured stimulus with no variations in brightness is hard to see. The brain uses colour to distinguish objects from their backgrounds; our colour vision probably evolved to detect fruit against foliage.

Brightness is the primary source of information about motion. It was thought that colour signals motion either by weakly activating a mechanism selective for brightness, or because we gradually notice that a coloured object is no longer where it was.

Cropper and I dismiss this second possibility by showing that humans can tell the direction a colour stimulus moves when it only lasts 17 milliseconds, not enough time to analyse changes in location.

Subdividing the task of image analysis in this way may eventually allow computers to compete with brains.

Andrew Derrington

The author is professor of psychology at the University of Nottingham.

The modern Olympic Games have left a trail of glittering sports stadiums and other structures around the globe since their inception. At the 1996 event in Atlanta, Georgia, a new sort of legacy will be passed on after the competitors have gone home, one that may be just as important as the grandiose new Olympic Village itself: state-of-the-art telecommunications technology.

As cranes and construction crews erect new facilities above ground, an invisible transformation is taking place beneath Atlanta's streets and along its airways. Nearly 150 miles of fibre optic cable is being laid in the Olympic Village alone, and the private sector is putting together a telecommunications service sophisticated enough to make any corporation drool.

Atlanta is set to become one of the best-wired cities in the world for multimedia communications, an accomplishment the city believes should continue to attract businesses to the area long after the Olympic banners are put away. (The city has scored some high visibility coups over the last few years, when it convinced courier service UPS and Holiday Inn Worldwide to relocate there.)

"The Olympics is already worth about 10,000 jobs a year, and the new technological infrastructure will continue to fuel economic growth through the end of the century," predicts Donald Ratajczak, director of the Economic Forecasting Centre at Georgia State University.

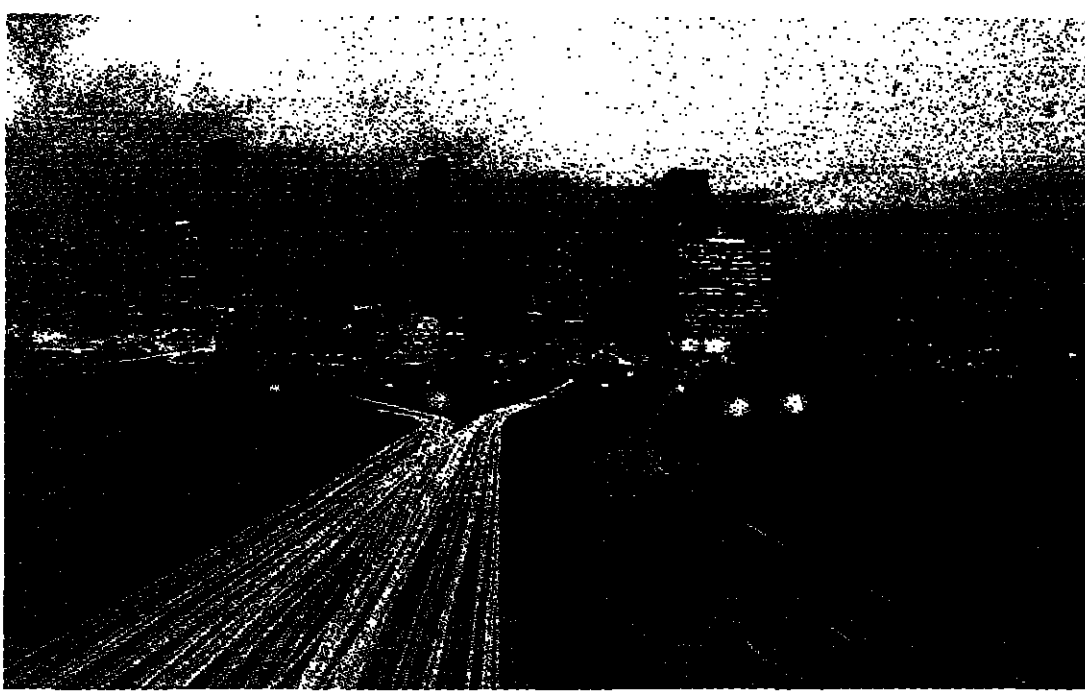
Until now, the main focus of an Olympic host city has been on how to build the necessary physical infrastructure, and what to do with it after the Games were over. These worries have not been set aside for the 1996 event. Yet in Atlanta, government officials are as concerned with technological preparations as they are with building construction.

The private sector is investing heavily in communications technology in the city. Bell South is putting \$50m (\$32m) into wired communications, and \$77m into wireless. AT&T has a \$40m supply contract with the Atlanta Committee for the Olympic Games.

"The 1996 Olympics coincides with a worldwide telecommunications revolution that encompasses cable television, the Internet and fibre optics," says Paul Harman, director of the 1996 Olympics programme at Bell South.

Cutting edge wireless technology will probably be an important legacy of the Games. "Wireless is coming into its own," says Terry Suttles, Olympic marketing manager of AT&T Network Systems.

"We're seeing the drive on both sides. On one hand, the Olympics are a great showcase for the new



Technological revolution: Atlanta is set to become one of the best-wired cities in the world for multimedia communications

State of the art

Atlanta has installed telecommunications fit for the Olympic Games and beyond, reports Victoria Griffith

technology. On the other hand, people will be coming to the Olympics loaded up with computers, cellular telephones and other equipment they expect to use without hitches. The city has to be ready for that influx.

As a result, two-way paging system and cellular telephone capacity will be doubled. Although some of that capability will be transferred to other cities after the Olympics, most of it will be left in place. Bell South is also installing sophisticated multiplex equipment, which expands existing data lines' carrying capacity three times.

Forty synchronous optical network rings, which automatically reroute calls in case of a break in the communications line, will also be put in place. As well as aiming to make the Games run smoothly, Bell South is installing new equipment in an effort to ensure that the increase in demand during the Olympics for transmission services - of voice, data and images - does not disrupt the work of its customers operating within the 1.5-mile area of Olympic venues and activities in downtown Atlanta.

Among Bell South's services during the Olympics will be its Crisislink, which reroutes calls if customers are unable to answer on their usual telephone line. For example, if traffic congestion prevents customers reaching their office, calls can be rerouted to their home or another branch.

Motorola is designing a secure radio system for Olympics security personnel to use during the Games. Radio conversations - either scrambled or unscrambled - will be extremely difficult for outsiders to eavesdrop on. Motorola is also negotiating a deal to sell the system to Georgia's state police after the Games are over. "The final price will take into consideration the fact that the system will already be in place," says Merle Gilmore, president of the Land-Mobile products sector of the company.

Smaller companies look set to benefit from Olympics' communications advances as well. The executives of Panther, a television content provider for magazine shows and educational broadcasts, plans to shape company strategy around preparations for the Olympic Games. The company will act as host for many of the NBC network affiliates during the competitions, and is installing systems to send video directly to stations across the country during the sports events.

"During and after the Olympics,

we're going to shift from being a content provider to being a distributor of video products too," says Jack English, president of the company.

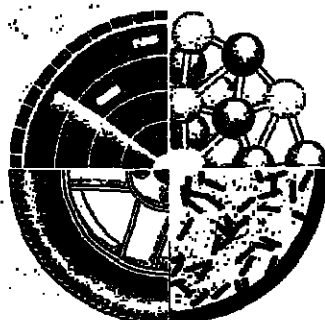
"We've now got fibre running down the street outside, and all the facilities will be hooked to fibre. That will allow us to just send video directly to networks rather than purchase satellite capability or send up a video. We'll be practising desktop broadcasting."

Other areas, too, are taking part in Atlanta's technological revolution. The city is putting in place transport systems, for instance, that will co-ordinate traffic lights in town to maximise traffic flow. Cameras will be mounted on freeways to facilitate traffic policing.

"The icing on the cake for the city, however, will be telecommunications facilities being constructed under the pavement and along the "Deep South" airways. Economists are predicting that the advances will have a long-term impact on the city's capacity to attract jobs.

"After the Olympics, you'll be able to put Atlanta up against any city in the world for sophistication of its communications infrastructure," said Ratajczak. "That's a pretty powerful pull for any company deciding where to do business these days."

Worth Watching: Vanessa Houlder



Research and carried out by a number of organisations, including the Fraunhofer Institute for Information and Data Processing. Fraunhofer Institute for Information and Data Processing: Germany, tel 7216091310; fax 7216091413.

Cleaning out 'sick buildings'

"Sick building syndrome" - a malaise usually associated with inadequately ventilated offices - is often blamed on the build-up of mould, dust and bacteria in ventilation ducts in buildings. In many structures, these are notoriously difficult to get clean.

Prime Clean, a Swedish company and the Royal Technical University in Stockholm, have developed a method of cleaning ventilation ducts using rotating brushes and compressed air.

The system uses a cleaning nozzle which forces compressed air through the ducts, using the same principles employed in a jet aircraft. The cleaning nozzle rotates around the duct.

Dirt in the ducting is blown out by the compressed air when the nozzle is pulled back. Up to 50m can be cleaned using this method, which reduces the need for expensive access hatches.

Prime Clean, Sweden: tel 24040500; fax 24041320.

High-quality document storage

Sony has developed a document storage system designed to take users a step closer to the paperless office, writes George Cole.

The system uses Sony's MiniDisc, originally designed to store around 74 minutes of high-quality digital music on a 2.5-in magneto-optical disc.

A MiniDisc can store the equivalent of 140MB of data, or about 1,000 pages of text and graphics.

The PDF-5, or MD Data Eata, is a desktop device that incorporates a scanner, microprocessor, MiniDisc drive, inkjet printer and 8-in LCD screen. The PD-5 costs around ¥150,000 (€955). Sony has also produced a Picture MD System which stores 200 high-quality photographic images on a MiniDisc.

Sony, Japan: tel 35-482111; fax 35-482577.

Beating those flat battery blues

Gauging when batteries need replacing is often a matter of guesswork. That can lead to intense frustration when it comes to the unexpected discovery that batteries in a camera or a Christmas toy have gone flat.

Duracell and Eveready, US battery manufacturers, have both tackled this problem by developing on-battery testers that give users a visual indication of the power level.

The difficulty in estimating battery power levels can also be frustrating, as the old batteries get muddled up with the new when they are being replaced.

The companies have both developed devices which determine the amount of energy left in a battery by measuring the amount of heat it can generate.

When dots on the side of the battery are pressed, a display shows whether the battery is fully-charged or needs replacing.

The launches of the Duracell PowerCheck batteries and Eveready's Energizer on-battery tester will begin in the US in the late spring of 1996.

Eveready: US, tel 314 983-3326; fax 314 983-1211. Duracell: US, 208 796-4000; fax 208 796-4263.

Robots report for sewer inspection

Sewer inspections are usually carried out using remote-controlled video cameras. But the images do not always reveal which cracks need the most urgent repairs.

German researchers have designed a robotic system fitted with optical, ultrasonic and microwave sensors that can detect faults in the walls of the pipes. The equipment can be adapted to handle the related problems of pipe and container inspection.

The project was funded by the Federal German Ministry of



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every sense. The only private-sector bank in Turkey to disclose its financials to Standard and Poor's, Garanti was selected as Turkey's "Best Bank" by Euromoney in July 1995. Garanti ranks fourth in the world in terms of return on assets according to The Banker and is the only multibranch bank in Turkey to receive a long-term "A" rating by Capital Intelligence for three consecutive years. A \$200 mil-

lion one-year syndicated loan facility signed in July 1995 further reinforced Garanti's top-tier standing, carrying the best terms obtained by any Turkish bank since the financial crisis of 1994.

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LONDON BOROUGH OF REDBRIDGE
TENDER FOR PENSION AND SUPERANNUATION MANAGEMENT SERVICES

Tenders are invited for the provision of a full range of Pension and Superannuation Investment Management services for the London Borough of Redbridge.

London Borough of Redbridge operates a balanced portfolio with a total market value of approximately £150,000,000. The appointed Investment Manager will provide the Council with discretionary investment management for approximately half of the portfolio. They will have absolute discretionary powers to invest the portfolio in suitable investments within the parameters agreed by the Council Officers. This will include taking investment decisions in respect of the portfolio, effecting and ensuring best execution of transactions in assets.

The contract, determinable without notice, should commence on 1 May 1996 and will run for a maximum period of five years.

Potential tenderers must apply in writing to the Acting Director of Finance at the address given below for the pre-tender questionnaire.

Mr. M. Jennings, Acting Director of Finance, London Borough of Redbridge, 22-26 Clements Road, Ilford, Essex IG1 1BD. Tel 0181 478 3030.

Deadline for Receipt of Questionnaires: 15th January 1996 (16.00hrs)

Prospective tenderers are asked to provide the following information:

- Statement of accounts and accounting policies;
- Proof of IBRO registration;
- Educational and professional qualifications of personnel proposed;
- Evidence of providing similar contracts to public bodies over the last three years, including contract values;
- Numbers and type of funds managed and three references, preferably Local Authorities;
- Memberships of relevant bodies; and
- Demonstration of knowledge of the relevant provisions of the Local Government Pension Scheme Regulations 1995.

Any questions on investment issues should be made to Kate McLaughlin-Pryor (Ext. 4311) or Niro Nishan (Ext. 4324).

A similar notice was dispatched to the Office for the Official Publications of European Communities on 5th December 1995.

CONTRACTS & TENDERS

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COMPANHIA PARANAENSE DE ENERGIA - COPEL, informs that an international bidding is open for design, manufacture, shipment, erection, supervision and operation start-up of four (4) fixed-wheel turbines, one (1) set of stoplogs and eight (8) sets of trashracks for the intake of Salto Caxias Powerplant, located at Capitão Leônidas Marques and Nova Prata do Iguaçu county border, in the State of Paraná - Brazil.

This lowest price type international bidding is open to individual companies or joint ventures.

The amount of costs related to this supply will be covered by COPEL's own resources.

The Bid Documents will be available to bidders from January 3rd, 1996 to March 19th, 1996, against payment in Brazilian currency of R\$ 150,00 (one hundred and fifty Reals), at the following addresses:

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Telephone: (55-41) 322-1212 - ramal 5541
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Alameda Santos, 1800 - 14^a andar - cont. 14B
01418-200 - São Paulo - SP
Telephone: (55-11) 288-1431

At the time of Bid Documents purchase, all companies shall present a letter containing their complete mailing addresses.

The receipt of Pre-qualification and Bid Documents is scheduled for March 20th, 1996, at 2:00 PM, at COPEL's office meeting room, in Curitiba, Rua Voluntários da Pátria 233, ground floor.

The Bidding will be held by Law n. 8666, dated June 21, 1993, with alterations introduced by Law n. 8863, dated June 8, 1994 and by other conditions stated in the Bid Documents.

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LEGAL NOTICES

In the High Court of Justice, No.007155 of 1995
Chancery Division

IN THE MATTER OF
THE CHANCELLORS GROUP OF
ESTATE AGENTS LIMITED

IN THE MATTER OF THE COMPANIES
ACT 1985

NOTICE IS HEREBY GIVEN that the order of the High Court of Justice (Chancery Division) dated 20th December 1995 confirming the reduction of the share capital of the above named Company from £10,000,000 to £3,957,117 and the Minute approved by the Court shown with respect to the capital of the Company as altered the said particulars registered by the above mentioned Act were registered by the Registrar of Companies on 21st December 1995.

ASHWEST MORRIS CRISP
Broadwalk House
5 Abchurch Lane
London EC4A 3EA
Reference: SA9712527
Solicitors for the said Company

SECTION 8 WATER INDUSTRY ACT 1991
ENVIRO-LOGIC LIMITED
NOTICE IS GIVEN that on 20.12.95 Enviro-Logic Limited of 42-46 Weymouth Street, London W1G 1LQ applied to the Director of Water Services for an appointment as a sewerage undertaker to replace Seven Tiers Water Services Ltd in respect of the area at Wellington Road/Sobell Road, Barn-on-Turns as present occupied by the Matings of Baza Breweries Limited. The application is made in the circumstances described by Section 7(1)(b).

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Cinema/Nigel Andrews

Fissure, fright and subversive farce

The human body was designed to discourage self-congratulation: anyone trying to pat himself on the back risks dislocating his shoulder. Nonetheless, I insist on proclaiming "I told you so" about Lars Von Trier. I have sung this Danish director's praises ever since his bizarre debut The Element Of Crime and three years ago, in an interview on these pages, I professed comparisons to Welles and talked of Trier "planting a bomb under movie convention."

Now everyone is rhapsodising - rightly - about The Kingdom, his 4 1/2-hour television mini-series showing on the large screen at the ICA. This tale of a haunted hospital is not, be warned, Casualty or even ER. It is more David Lynch mixed with hallucinations from Edward Munch. There is a ghost child in the lift, a severed head in a plastic bag, a pair of Downs Syndrome children speaking chorus-like lines in the kitchen ("The wicked will laugh, the good will cry"), an outbreak of voodoo, and a main character of sumptuous eccentricity. A saccharine Swedish neurosurgeon bubbling with hatred of the Danes, he is played by Ernst Hugo Jarogard as if on leave from one of the great Bergman tragicomedies.

THE KINGDOM
Lars Von Trier

SEVEN
David Fincher

SOMETHING TO TALK ABOUT
Lasse Hallstrom

HORSEMAN ON THE ROOF
Jean-Paul Rappeneau

FOUR ROOMS
Allison Anders, Alexandre Rockwell, Robert Rodriguez, Quentin Tarantino

The Kingdom is completely serious and completely funny. As in Trier's earlier films, notably his little-seen Epidemic, he displays a genius for spectral minimalism. The opening is a slow-motion fantasy tableau depicting in misty monochrome, the "old bleaching ponds" on which the hospital is built. "The signs of fatigue are appearing in the solid, modern edifice" chants a disembodied voice, readying us for the next 270 minutes of fissure, fright and sly subversive farce.

The monster hospital is, of course, a monster metaphor for the scary multi-layering of human life. Like the bodies and souls being treated within it, the place is prone to decay and breakdown, to rupture, rupture and paranoia. The film begins with an administrator's breezy campaign to rationalise the establishment, but "Operation Morning Air" soon gives way to the chain of accidents and fatal encounters in morgue or lift shaft, operating room or masonic chapel.

The characters have the loathe, luminous individualism we know from previous Trier films. The old woman who insists on re-admission to the hospital every time she is

The last time I led this column by urging the world towards a little-known film at the ICA, I was set upon by an FT colleague who had gone, seen and not been captivated. But I have no qualms about doing it again here. The Kingdom is a wonderful movie and the first certainty for the Ten Best of 1995.

The nameless American city of Seven is possessed by as many evil spirits as Trier's Copenhagen. In this murder thriller with a twist in its tail - no, more a Dostoevskian convulsion - Morgan Freeman and Brad Pitt play homicide detectives wading through horror and urban decay to find a serial killer who patterns his crimes around the seven deadly sins.

Director David Fincher, formerly of pop videos and Alien 3, paints an America of diabolical dissemblance. Photographed by Daris Khonji, the peeling shadow-stricken interiors and the infernal street scenes

almost suffocating in rain have a poetic-elemental force that ensures the film's images match its high-faluting invocations (Dante, Chaucer, Aquinas).

Initial moments may threaten that deadly blend, genre formula souped up with jaded excess, but the film's brutal originality soon takes hold. The killers' murder methods, far from being gratuitously kinky, have a slow-revealed logic as horrible as their surgical reality. And the final act takes us into the heart of madness, in a landscape as flat, vast and unweaving as the Hitchcock cornfields where Cary Grant met his crop-sprayer.

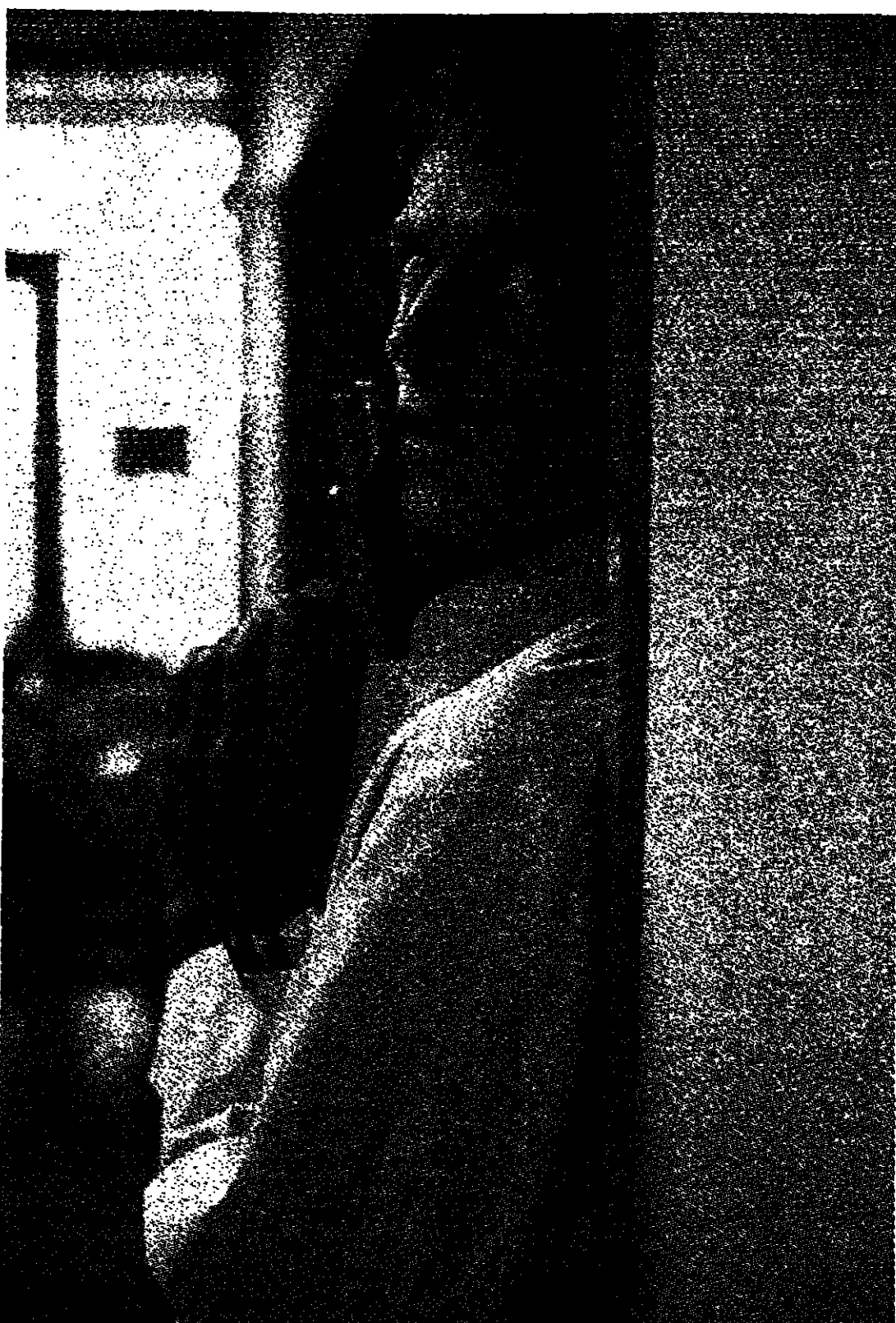
First-time screenwriter Andrew Kevin Walker must have had a disturbed childhood but should go on to have a fulfilled and lucrative adulthood. His two detective heroes are so much more richly conceived than the usual veteran/rookie cut-outs that Morgan Freeman and Pitt feed on the roles like tigers.

Pitt has the showy moments, but Freeman builds a seeming lifetime of hopes, torments and memories into his old-timer's lined and gullied face, slow rasp of a voice and occasional dry, sardonic twinkle in the eyes.

Something To Talk About was written by Callie Khouri, who scripted Thelma And Louise. What ever can have happened to her between projects? The feminism is here again, but it is lost in two hours of Southern soapiness about a betrayed wife (Julia Roberts), the antics of her remorseful husband (Dennis Quaid) and an all-star ranch-owning family who might have been airlifted from dear lamented Southern.

Robert Duvall is the substitute J.R. Ewing, all lovable scowls and upstate-hillbilly vowels. Gena Rowlands is his wife and the heroine's mother, a face forever emoting in windows or doorways. And Kyra Sedgwick is the sister, seemingly scripted to conform to the adjectives "sassy" and "feisty." She has all the best lines, but even tomboy siblings would surely hesitate before kaeasing an errant brother-in-law in a place that should be restricted, whether for love or punishment, to his wife.

Sweden's Lasse Hallstrom (My Life As A Dog) directs as if assembling an ill-manufactured jigsaw. He knows the pieces do not fit, but somehow, anyhow, he will jam them together. The oldest come off best. Row-



Monster hospital as monster metaphor: Peter Mygind in Lars Von Trier's 'The Kingdom'

lands, unlike her daughter, seems an inhabited human being, and Duvall has a loopy rural charm and dignity, even when required to climax his performance by falling off a horse.

There are more temperamental equines in The Horseman On The Roof. France's Jean-Paul Rappeneau, overpraised for Cyrano De Bergerac, repeats the flashing swords and flying cloaks with a lesser text and comes an unsurprising cropper. Juliette Binoche and Olivier Martinez are the girl and hussar swirling through war-and-cholera-torn 1830s France as the plot and script (based on a novel by Jean Glonou) hasten into vacuity.

Four Rooms is worse: four comic stories set in the same imaginary flea-bitten Hollywood hotel, written and directed by four film-makers who should know better. An overacting Tim Roth appears in each tale as the bellboy and Quentin Tarantino directs and stars in the last, the paradoxically Tarantino-esque tale of a chopped finger. Avoid.

Theatre/Alastair Macaulay

Cheek by Jowl's 'Duchess of Malfi'

By the time Cheek by Jowl - one of our most intelligent and refreshing theatre companies - brings its latest production to London, it presents them so seasoned by touring and so festooned with glowing notices from other countries that they seem virtually critic-proof here.

Its current production of The Duchess of Malfi has just docked at Wyndham's Theatre (how amazing that the same theatre showed another production of the same play - directed by Philip Franks, with Juliet Stevenson and Simon Russell Beale - only a few months ago), outside which quotes from foreign critics hang like Christmas decorations. When a British production like this carries bravos from The New York Times, which British critic feels like curling at it?

But Cheek by Jowl - led by Declan Donnellan (director) and Nick Ormerod (designer) - deserves to stir up more local controversy than it does, especially for its stagings of plays that are more fre-

quently seen here than abroad. Its 1994 Measure for Measure was excellent, but - especially since the RSC had also presented excellent productions of the same play - should have provoked more expert discussion. I loved most aspects of its As You Like It this time last year, but I found myself arguing with friends about it for weeks.

During much of its Duchess of Malfi, I kept changing my mind every minute. In sheer stagecraft it is fresh, bold and serious. In method of verse-speaking it is far more innovative and/or iconoclastic than has generally been acknowledged. In method of characterisation, it is striking, but more than a little schematic. Larger than any of these individual aspects, however, Cheek by Jowl leaves a two-part impression of anti-traditionalist intelli-

gence on the one hand and immensely artful calculation on the other; and its staging of The Duchess makes me more than ever conscious of the latter.

Compare this Duchess with the 1996 Franks staging and you see at once how much more arresting Cheek by Jowl's is. To have no set but dark curtains proves beautifully suggestive, to emphasise character by a disparate array of early 20th-century costumes (the Duchess starts in an erect imperial gown and pearl-robe choker, Bosola in black shirt and breeches) makes a forceful impression; and to have separate scenes overlapping produces a continuity beyond what even cinema can provide, as well as a poetic attention to certain characters before and after their prescribed entrances and exits.

And yet Cheek by Jowl not only does not offer one piece of acting so rounded or fine as Simon Russell Beale's Ferdinand last year, it seems also not to want acting with that kind of organic life. Its best performance is that of Anastasia Hillie in the title role. A greatly improved actress, she demonstrates crucial and contrasting facets of the role - royal authority, sexual urgency, nervous confusion - that Juliet Stevenson neglected; and your eye is repeatedly drawn to her strong, willful, mobile, staid, and compelling face; but her style, switching dramatically from one facet to another, lacks the lit-from-within humanity whereby Stevenson revealed conflicting impulses at one and the same time.

Other performances are considerably more schematic than Hillie's.

Donnellan has a way of finding a motif for a character and turning it into a stick. Thus the Cardinal's mistress Julia (Nicola Redmond), taking her tune from her line "You shall see me wind my tongue about his heart", keeps licking the men in her life. But these stickts proliferate most heavily around the character of Ferdinand (Scott Handly). The Duchess and the Cardinal (Paul Brennan) slap his head the same way (i.e. chastising their unruly kid brother). He, in turn, keeps abasing himself in the same servile/filial embraces to those he respects; by the time he has knelt to hug the hips of the Cardinal, the Duchess, and Bosola, he has bludgeoned you with the same point.

Bosola, the most complex character of all, is given a virtually monochrome performance by George

Anton: a uninflected and uninvolved Scots outsider, in whom Bosola's occasional flights of wit, intellect, and remorse scarcely ring true. True, the production gains considerable vigour from the clever way these characters are set against each other. Thus an interchange between the Cardinal and Ferdinand makes great contrast between the former's slow and harsh decisiveness and the latter's brisk and aggressive nervousness; but meanwhile each character stays too fixed and monotonous.

Though Cheek by Jowl deserves an important place in our theatrical firmament, it deserves argument too. By the end of As You Like It, its merits had swept me up in near-oblivion to its contrivances. John Webster's The Duchess is, however, a weaker play. Cheek by Jowl's way with characterisation and narrative only exposes some problems not only of Webster's dramaturgy but also its own company style.

Wyndham's Theatre until January 27.

Concert Enterprising Rogeri Trio

A special attraction of the Rogeri Trio's Wigmore Hall concert on Tuesday was their enterprising programme. Piano trios by the young Chausson (then 28), the even younger Shostakovich (17) and dear old Fauré (wonderful at 78, with a string quartet still to come), and a bombon from Chick Corea: not a "standard" work among them, except perhaps by courtesy the Fauré, which is more respected than performed - and yet they made a programme eminently worth hearing, and it drew an appreciative audience.

The young Rogeri team, whom I should guess to be in their mid-20s, are named after the maker of Peter Adams' cello (Giovanni Battista Rogeri, in 1897). That points toward the unusual balance of this trio, in which it is neither the pianist nor the violinist who leads, but the cellist. Adams boasts a large, beautiful, forward sound and patient authority. The violinist Nadia Myerscough matches him in spirit, but her refined tone is less expansive. At the piano, Yoshiako Endo has good flavors and a broad, well-balanced sound in big romantic passages; also a penchant for dogged tempi, fast or slow, impervious to the flexible pulse of expression.

Endo was at her best in the Fauré trio (apart from being too loud - her bass octaves regularly submerged Myerscough); her plainness in this music amounted to real stylishness. There are kinds of subtlety to which late Fauré should never be subjected, for the gentle-voiced music of his last years is so compactly intricate that we really need to hear it plain. The Rogeri performance, forthright and glowing, took the curse of bloodlessness off this spare, wiry trio; the ideal style - translucent, spontaneously lyrical throughout - lies within their reach.

The second Shostakovich piano trio is as famous as his piano quintet, but it is years since I last heard his No. 1. Memory said it was categorically different from No. 2, probably because what memory clutched at was the huge difference in impact: the scurrying intensity of the 1944 trio, with its concentration-camp echoes, against the sardonic, eclectic light-footedness of his teenage work.

Memory missed out the more interesting point now, which is that the earlier trio uses so many of the same devices: the insistent ostinato, the snatches of crypto-Jewish folkchant. The piano-trio is anyhow an awkward medium, a product of what just happened to be the most popular instruments at a certain time, rather than of natural affinity; string-players do not enjoy hearing the "well-tempered" piano constantly out of tune. At an astonishingly precocious age, Shostakovich seems to have formed his own notion of how best to deal with it.

Ernest Chausson's Op. 3 Trio is lush, fluent and acutely felt - bar-by-bar, that is, as the big times are flung out; the construction is more routine. The Rogeri performance was strong on grand formal rhetoric, vaguer about how to sustain the emotional tension the piece needs to keep it going. The real, off-color delight of this Trio is its scherzo. If you fed into your computer "composer: early French-Wagnerian" and - in blissful contradiction - "model: Saint-Saens' scherzo for his celebrated G minor piano concerto", this is exactly what you would get.

David Murray

INTERNATIONAL ARTS GUIDE

- AMSTERDAM
CONCERT
Concertgebouw
Tel: 31-20-5730573
Koninklijk Concertgebouwwerk: with conductor Mstislav Rostropovich and pianist Reinbert de Leeuw perform works by Oostwoolskapo: 8.15pm; Jan 6
BERLIN
CONCERT
Staatsoper unter den Linden
Tel: 49-30-2082861
Thomas Seiditz and Asher Fisch: the violinist and pianist perform works by Brahms, Penderecki, Britten and Shostakovich; 8pm; Jan 7
BIRMINGHAM
CONCERT
Symphony Hall
Tel: 44-121-2123333
City of Birmingham Symphony Orchestra: with conductor Mark Elder, the female singers from the City of Birmingham Symphony

- BRUSSELS
OPERA & OPERETTA
Théâtre Royal de la Monnaie
Tel: 32-2-2291200
Il Turco in Italia: by Rossini. Conducted by Ivan Fischer and performed by the Orchestre Symphonique de La Monnaie. Soloists include Tiziana Fabbricini and José van Dam (Jan 6), and Rachelle Stanisci and David Pittsinger (Jan 7); 8pm; Jan 6, 7
COPENHAGEN
OPERA & OPERETTA
Det Kongelige Teater
Tel: 45-33 14 10 02
Parisfæl: by Wagner. Conducted by Michael Schoenwandt and performed by the Royal Danish Opera. Soloists include Poul Elming, Aage Haugland and Ruthild Engert; 8pm; Jan 10
DUBLIN
CONCERT
National Concert Hall - Geórgias Néisiánta
Tel: 353-1-8711533
National Symphony Orchestra: with conductor Stefan Sandevling and pianist Grigory Sokolov perform works by Rimsky-Korsakov, Dvorák and Tchaikovsky; 8pm; Jan 5
FRANKFURT
OPERA & OPERETTA
Theater am Turm
Tel: 49-69-21237278
L'Histoire du Soldat: by Stravinsky. Conducted by Mathis Dulack and performed by the Oper Frankfurt. Soloists include Karin Romig, Gottfried Brätthuis, Martin Lämmerhirt, Thomas Stache and Kalle Mews; 8.30pm; Jan 6, 7, 8, 10, 11, 12, 13, 14
GOTHENBURG
CONCERT
Göteborgs Konserthus
Tel: 46-31-7787800
Göteborgs Symfoniker: with conductor Sïden Ehring and violinist Per Enocksson perform works by Sibelius, Bruch and Stravinsky; 7.30pm; Jan 11, 12 (8pm)
HAMBURG
CONCERT
Musikhalle
Tel: 49-40-348920
Gala Operabend: with the Norddeutsche Philharmonie Rostock and the Opernhaus der Volkskammer Rostock, conducted by Gerard Ockamp. Soloists include mezzo-soprano Galle Gilmore; 8pm; Jan 5
HELSINKI
EXHIBITION
The Museum of Contemporary Art
Tel: 358-0-90 17398312
Jeff Wall: exhibition jointly organized by the Museum of Contemporary Art in Chicago, the Whitechapel Art Gallery in London and the Galerie Nationale du Jeu de Paume in Paris. This display, which has also been on show in Paris,

- LEIPZIG
OPERA & OPERETTA
Oper Leipzig
Tel: 49-341-1261261
Eugene Onegin: by Tchaikovsky. Conducted by Jiri Kout and performed by the Oper Leipzig and the Gewandhausorchester. Soloists include Monica Luok, Thomas Mäwes, Annetta Markert, Jana Scharukowskaya, Annelotta Damm and Hiedekatsu Chot; 7pm; Jan 6
LONDON
CONCERT
Wigmore Hall
Tel: 44-171-9352141
Maggie Cole & Friends: harpsichord-player Cole and friends perform works by J.S. Bach, Albinoni, Corelli and Haydn; 11.30am; Jan 7
OPERA & OPERETTA
London Coliseum
Tel: 44-171-8380111
Les Pêcheurs de Perles: by Bizet. Conducted by Emmanuel Joel and performed by the English National Opera. Soloists include John Hudson, Elizabeth Woollett, Michael Lewis and Mark Richardson; 7.30pm; Jan 6, 12, 17
NEW YORK
AUCTION
Christies, Manson & Woods International, Inc.
Tel: 1-212-546-1000
Old Master Drawings: this sale includes the collection of the late Professor Dr Richard Krauthamer and his wife Dr Trude Krauthamer-Hess and works from

- includes more than 90 photographs; from Jan 5 to Feb 18
PARIS
CONCERT
Cathédrale Notre-Dame de Paris
Tel: 33-1 42 301516
Requiem: by Berlioz. Conducted by Marek Janowski and performed by L'Orchestre Philharmonique de Radio France, the Maitrise de Notre-Dame and the Choeur de Radio France. Soloists include tenor Christian Johansson; 8pm; Jan 12
Maison de Radio France
Tel: 33-1 42 30 22 22
Des Canyons aux étoiles: by Messiaen. Conducted by Marek Janowski and performed by L'Orchestre Philharmonique de Radio France. Soloists include pianist Roger Muraro and percussionists Francis Pettit and Jean-Claude Chazay; 8pm; Jan 10
SAN FRANCISCO
EXHIBITION
M.H. De Young Memorial Museum
Tel: 1-415-750-3600
Nothing Lost from the Original: William Wiley Looks at Art History: this exhibition consists of approximately 50 paintings, sculptures, watercolors and drawings by this American artist; from Jan 10 to Apr 7

- OTTAWA
CONCERT
National Arts Centre
Tel: 1-613-996-5051
National Arts Centre Orchestra: with conductor Mario Bernardi,

- WORLD SERVICE
BBC for Europe can be received in western Europe on Medium Wave 648 kHz (463m)
EUROPEAN CABLE AND SATELLITE BUSINESS TV
(Central European Time)
MONDAY TO FRIDAY
NBC/Super Channel
07.00
FT Business Morning
10.00
European Money Wheel
Nonstop live coverage until 14.00 of European business and the financial markets
17.30
Financial Times Business Tonight
Midnight
Financial Times Business Tonight

- OTTAWA
CONCERT
National Arts Centre
Tel: 1-613-996-5051
National Arts Centre Orchestra: with conductor Mario Bernardi,

COMMENT & ANALYSIS



Economic Viewpoint • Samuel Brittan

Risks to world consensus

Worldwide demand growth has been too low and the D-Mark remains too high for stable international expansion. Hence the downside risks to official forecasts

The consensus forecasts for 1996 try to be reassuring. They suggest that the growth dip in the main industrial countries is just part of a sub-cycle in a long-term expansion and that growth will return to normal rates by the second half of the year. Underlying inflation (measured by the gross domestic product deflator) will average below 2 per cent. But there will still remain a gap of controversial size between actual and potential output. Unemployment is thus expected to do little better than stabilise.

Official analysts have taken comfort from the worldwide fall in bond yields, which in the US and Japan has amounted to a percentage points from previous highs. They have also been gladdened by the "shift back toward fundamental values" of currencies such as the dollar and the yen.

The principal risks are seen as arising from high budget deficits. There is a lot of Saint Augustine here — make me chaste, but not yet. Japan in particular is urged to put deficit reduction on the back burner and there are worries that the timetable for European monetary union will push EU countries into over-rapid fiscal correction. Nevertheless the main message is still that orderly deficit reduction will lower the uncertainty premiums still built into long-term interest rates.

The above paragraphs are based largely on the December Economic Outlook published by the Organisation for Economic Co-operation and Development (OECD). The OECD is one of the few bodies which try to take a top-down look at the world economy as an inter-connected system rather than just adding up individual country forecasts.

Nevertheless, its forecasts will be regarded by many non-official analysts as too complacent, partly on account of the OECD's own record. For well over a year the organisation has been over-optimistic in its

growth predictions. In late 1994 it expected real GDP for member countries to rise by 3 per cent in the year ahead. But the estimate for 1995 is now down to 2.4 per cent. Predictions for 1996 have come down from 2.9 per cent, expected before Christmas 1994, to 2.1 per cent. It is notable that Goldman Sachs, which operates a similar mainstream model but goes to press on its forecasts later, has reduced its 1996 projections below those of the OECD and now expects only 2 per cent growth in 1996. These reductions in expected growth rates make all the difference between an expansion which inspires confidence and one inclined to feebleness.

It is helpful to look at one area where the OECD has not been over-optimistic, but over-pessimistic, namely inflation, measured by the GDP deflator. US inflation for 1995 now looks like coming in at 1.6 per cent, compared with an OECD forecast of 2.5 per cent just over a year ago. German infla-

tion looks like being 2.3 per cent, close to the original forecast. Most striking of all, what was expected to be a very modest 0.6 per cent rate of Japanese inflation has turned into an actual fall in price levels — or deflation — of 0.9 per cent. For 1996 as well, the OECD has revised downwards its earlier projections.

The upshot is that both real growth and inflation have been below expectations. This means that the growth of total demand in money terms, measured by nominal GDP, has been low. In the Group of Seven industrial countries nominal GDP in the second half of 1995 is now estimated to have risen at an annual rate of 3.5 per cent — well below the widely accepted norm of 5 per cent for this indicator. There has been only one period in recent decades when demand growth has been as small, in 1993 when the world economy was only just beginning to recover from the last recession.

There are basically two kinds of criticism of the international economic policy establishment. There are those who simply disbelieve the forecasts of an adequate growth recovery — either because they have heard it all before or they believe that animal spirits among businesspeople and consumers are too low. Then there are those who believe that the output gap is much larger than it needs to be to stop inflation accelerating — so that unemployment is needlessly high and potential production is lost. The strictures are most severe when critics believe both these propositions at the same time.

Examples include Mr Peter Jay, BBC economics editor, who has a chart of the output gap which ought to have developed in the UK if the economy had been in equilibrium at the end of 1990, as the Treasury says it was. They include too Professor Patrick Minford, one of the original monetarists and Thatcher supporters, who has received a well-merited award in the new year honours list.

Yet there are also critics who have the opposite worry: that, as in the late 1970s and 1980s, governments are yet again injecting too much liquidity — money available for spending. They see the same excuses being made about the extra bank deposits being primarily a savings vehicle, or associated with corporate takeover activity.

There is of course nothing to prevent both these criticisms from becoming true in sequence. There may now be an excessive gap between actual and potential output; but at a later stage cash balances could be spent, leading to the opposite danger of inflation taking off again.

Yet one general observation can be made. The world is a less inflationary place than one would expect allowing for all the usual variables. UK pay inflation is much lower than many forecasting equations

would have predicted from current data. The 1994-95 rise in commodity prices soon went into reverse. Although US unemployment is well below what the Fed regards as the equilibrium level, inflation refuses to take off — as the Fed acknowledges by loosening monetary policy instead of continuing to tighten it as many expected little more than a year ago.

The view that excessive liquidity is being pumped into economies derives mainly from the English-speaking world and Japan. But not even the most dedicated old-fashioned monetarist need have any worries about Germany, where the Bundesbank has not been able to prevent a serious shortfall from target. Because of its anchor role Germany is representative of the core EU currencies.

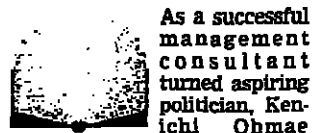
Yet Germany's problems do not arise mainly from domestic monetary policy. Their root is in a real over-valuation of the D-Mark at current cost levels. Hence the spate of new messages from German industrialists threatening to shift production abroad and pleading for an alleviation of tax burdens. Doubts about the credibility of the future European Central Bank are also putting an inflation premium into longer-term German bonds and affecting recovery prospects. In France the combination of a tie-up with an over-valued D-Mark and a risk premium of 1 to 2 percentage points embedded in short-term interest rates is acting as a drag on French growth.

The most desirable development in 1996 would not be a rupture of the French-German link, but a devaluation of the D-Mark together with the currencies linked with it against a still undervalued dollar. If that happened the US Fed would be able to ease policy further to make up for the loss of external stimulus without inflationary danger. Meanwhile the risks to the European outlook remain on the downward side.

BOOK REVIEW • Guy de Jonquières

THE END OF THE NATION STATE By Kenichi Ohmae
HarperCollins, 214 pages, £16.99

Of pork merchants and rice inspectors



As a successful management consultant turned aspiring politician, Kenichi Ohmae knows a thing or two about marketing his own wares. That much is evident from the care with which this book has been packaged for its target of busy international managers.

Although slim enough to be read on a transatlantic flight, this book resists any idea that it might also be lightweight. In addition to a jacket trumpeting the author's "profoundly important" views and "authentic visionary" powers, 14 pages of footnotes are devoted to writings by or about him.

Stripped of hype, Ohmae's most obvious attributes are his status as Japan's only internationally known business guru and his talent for popularising big "strategic" issues. His timing is well judged. Publication of this book coincides with an ill-focused debate in the west partly inspired by the performance of east Asia's "miracle economies" — about the proper role of the state and government in an interdependent world.

Ohmae's thesis will be familiar to readers of his previous works. It is that traditional barriers between national economies are being eroded by flows of internationally mobile information, capital, technology and industrial capacity.

That much is now conventional wisdom. But while Ohmae's main concern in the past has been with the implications of these changes for corporate management, this book focuses on how they are redefining the functions of sovereign governments. Or, rather, destroying them.

Global forces, he contends, are not merely imposing stricter disciplines on sovereign power. They have made it a burdensome anachronism. "Traditional national interest... has become little more

than a cloak for subsidy and protection," Ohmae says, contemptuously dismissing central governments as mere "merchants of pork".

Much of his evidence is culled from Japan, and featured in his failed campaign last year for election as governor of Tokyo. Government, he says, has become powerless to deal with economic problems because it is paralysed by self-serving collusion between producer lobbies, pork-barrel politicians and a bloated bureaucracy dedicated to perpetuating itself.

These charges are entertainingly documented. For instance, defence to Japan's farm vote keeps 11,000 officials employed in grading different kinds of rice. Japan's repeated inflationary packages, meanwhile, are condemned largely as a pretext for showering unneeded infrastructure projects on electorally important parliamentary constituencies.

However, Ohmae's approach is too narrow to substantiate his broader argument. He is right to detect growing pressures in much of the world to cut central government down to size. Yet his book ignores the experience of countries — above all the US — where the challenge is being confronted more decisively than in Japan. Newt Gingrich does not even rate a mention.

More crucially, Ohmae's definition of the nation state is two-dimensional. In his view, its survival depends almost entirely on its success in meeting the sort of criteria of economic efficiency used to compile league tables of national "competitiveness".

This seems a slender basis on which to predict the nation state's demise. Nor is it strengthened by Ohmae's assertion that the functions of nation states are being usurped by "region states" — economically dynamic zones, often straddling frontiers, in which activity is strongly ori-

ented towards world markets. The importance of local "clustering" of industries as a stimulus to business performance is indisputable. The City of London is one of the oldest examples. Silicon Valley and Hollywood are more recent ones. The extension of Hong Kong's manufacturing base into neighbouring Shenzhen also seems to fit the pattern.

In no case have these successes obviously threatened the integrity of the nation state. On the contrary, Hollywood and Silicon Valley have done much to reinforce US national identity. What is clear is that they have flourished partly because they have not been subjected to heavy-handed government intervention or regulation.

This, indeed, seems to be the real point of Ohmae's book. To encourage wealth creation, all governments have to do is loosen the shackles and allow free enterprise to fly. As he puts it: "No policy can substitute for the efforts of individual managers in individual institutions to link their activities to the global economy."

Ohmae's case is weakened by some of the instances which he chooses to illustrate it. By his account, Malaysia's economic prosperity is due largely to its government's skill in picking industrial "winners".

Singapore, it is true, is commendably open to trade and investment, and provides an efficient operating environment for the multinational companies which have generated much of its prosperity. In other ways, however, it is hardly an advertisement for hands-off government.

Nonetheless, it is hard to disagree with the core of Ohmae's argument — that policies which distort markets and artificially protect industry are the enemy of wealth creation. That is certainly a profoundly important point. However, it is hardly new, nor does it require visionary powers to grasp it.

OECD forecasts

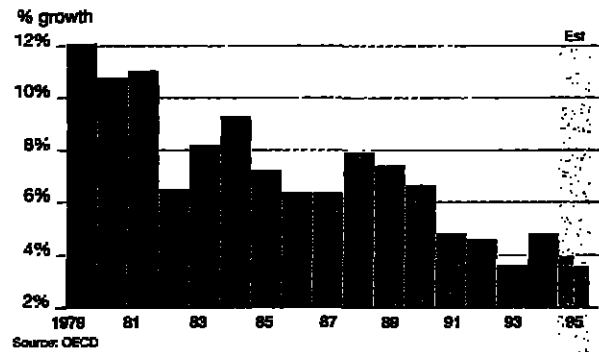
% change	Real GDP growth			Inflation Measured by GDP deflator		
	1995	1996	1997	1995	1996	1997
US	3.3 (3.1)	2.7 (2.0)	2.8	1.6 (2.5)	1.7 (3.2)	1.9
Japan	0.3 (2.5)	2.0 (3.4)	2.7	-0.9 (1.6)	-0.4 (0.6)	0.3
Germany	2.1 (2.8)	2.4 (3.5)	2.7	2.3 (2.0)	3.0 (2.2)	2.1
OECD Europe	2.9 (3.0)	2.6 (3.2)	2.7	2.9 (2.5)	2.7 (2.6)	2.6
OECD total	2.4 (3.0)	2.6 (2.9)	2.8	1.8 (2.3)	1.8 (2.6)	2.0

Figures in brackets are Dec 1994 forecasts

* Excluding Turkey

** Excluding Turkey and Mexico

Nominal GDP: Group of Seven total



Source: OECD

THE MILITARY CAN'T TELL US
WHERE THEY LEFT THEIR LANDMINES.
BUT THESE PEOPLE CAN.

INTERNATIONAL COMMITTEE OF THE RED CROSS (ICRC)
LANDMINES MUST BE STOPPED

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'fine'). e-mail: letters.editor@ft.com Translation may be available for letters written in the main international languages.

Understanding Italy's political stability

From Dom Serafini.

Sir, I read your editorial "Italy and the EU presidency" (January 2) correctly, you worry too much. Italy was able to achieve what France is trying to do without the social upheaval. The future also promises stability "Italian style" with more richness. Yes, because Italians are rich. To me, they seem richer than the British (to which my British relatives confirm) and have better living standards.

The Italian political situation seems to be more stable than that of the UK (where the

prime minister has a majority of three). Spain (new elections), France (domestic affairs), Germany (new elections). To understand Italy, you need only do what Italians do: ignore what politicians say.

Here's what is really happening. No one wants new elections for several reasons. First, because under existing rules nothing would change for the larger political parties.

Second, small parties are afraid to see parliamentary seats and larger parties don't have their leadership in place

yet. Indeed, Silvio Berlusconi needs time to get rid of his legal problems before he can reaffirm his centre-right leadership and it is premature for rightist Gianfranco Fini to seek the premiership. The centre-left leadership of Romano Prodi is not taken seriously but, before his real leader Massimo D'Alema can take charge, he needs time to get rid of Walter Veltroni who is supported by industrialist Carlo De Benedetti and Carlo Caracciolo, brother-in-law of Fiat's Gianni Agnelli (to confirm this, monitor their

publishing group La Repubblica/L'Espresso). And finally, both D'Alema and Berlusconi need time to allow their centre to strengthen and thus get rid of the more extremist elements in their coalitions. As your correspondent, Robert Graham, and Italy's president have indicated, Italy will go to the elections in 1997. Until then...

Dom Serafini,
editor,
Video Age International,
216 East 75 Street,
New York, 10021, US

The price to limit liability for auditors

From Mr Nigel Wilkins.

Sir, Mr Brian Currie, deputy president of the Institute of Chartered Accountants, hopes that the Law Commission will be able to find a formula to limit the scale of the damages being awarded against auditors for professional negligence (Letters, December 29).

However, the proposed reform of joint and several liability would merely reduce the amount of compensation available for the victims of negligence, whose interests ought to be paramount.

If concessions are granted to the auditors, two principal measures should be adopted in return. First, the accountancy profession will have to make significant strides in raising standards from their present low level. This would include the establishment of a fully independent disciplinary system.

Second, if other parties are required to pay their fair share of the damages arising through professional negligence, then they must have the means with which to satisfy the claims of their victims.

In the case of rogue company directors, this can only be achieved through the provision of compulsory indemnity insurance.

Nigel Wilkins,
9 Petersham House,
Harrington Road,
London SW7 3RD, UK

Democracy in non-Protestant societies

From Mr Roger Williams.

Sir, I must take exception to Ms Philippa Rann's statement (Letters, January 2) that "no non-Protestant society has sustained democracy for longer than 70 years". Costa Rica immediately springs to mind, along with more than 100 years of uninterrupted democracy in Chile until the Pinochet coup. Also, if democracy implies universal suffrage for men at

least, the UK itself has only barely passed this test. The argument also seems a little unfair if one considers that many societies such as India have had less than 70 years of independence to develop such institutions.

Democratic institutions and societies are generally far more stable than autocracies. Even disregarding the effects of European imperialism, few

countries, if any, have continued under the same government and constitution for as long as Switzerland and the Netherlands, not to mention China with its wretchedly changing dynasties.

Roger Williams,
Toshimaen Pearl Heights 4a,
Nerima 4-15-11, Nerima-ku,
Tokyo 176,
Japan

Taxpayer debt relief burden

From Mr Albert H. Hamilton.

Sir, It is gratifying that some of my recommendations for the Paris Club that you published in 1989 (Letters, January 11) have been adopted. Still, many poor countries continue to bear such onerous debt servicing burdens that even the World Bank is now considering a debt relief programme.

The Paris Club creditor governments have accepted more generous debt restructuring terms, but they seem convinced by their own rhetoric. The G7, by actions agreed to at the Toronto, Trinidad and Naples meetings, have concluded that the only form of debt relief is debt forgiveness.

This they term "enhanced" debt relief. "Enhanced" debt relief via the Paris Club, where debt owed to, guaranteed or insured by export credit agencies (inter alia) is restructured, is that which shifts the debt burden from borrowers to taxpayers in the

leaders' countries.

There are but two beneficiaries of "enhancement": the buyers, who need not pay for imports; and exporters, who get paid by their national export credit agency, ie, fellow taxpayers. Thus, creditor governments subsidise exports, even though this is considered bad form by the Organisation for Economic Co-operation and Development, the World Trade Organisation and the creditor governments themselves.

The use of export credit guarantees to support sales in non-creditworthy markets is driven by legislators' refusal to fund poor country development, preferring the use of off-budget guarantees. Payment of exporter claims, however, is on budget.

Albert H. Hamilton,
vice-president,
First Washington Associates,
1501 Lee Highway, Suite 302,
Arlington, Virginia 22209, US

Suitable lesson

From Mrs Margaret Spang.

Sir, As I wrestled with packaging over Christmas, I was reminded of the Radio 4 feature on the Japanese Ageing Suit. The suit simulates the problems of old age — restricted movement, lack of grip, poor eyesight etc — for the benefit of designers. A New Year resolution for those selling to the domestic market should be to buy a copy and learn from it. I would appreciate not having to struggle to extract moulded electric plugs, read tiny multi-coloured instructions or solicit tall males in Sainsbury's to retrieve the last of the bargain mushroom packs for me.

I seem to recall the suit cost around £2,000 and there would be time costs associated with its use. Alternatively, designers could use a little imagination regarding the ultimate use of their products.

Margaret Spang,
Wincott,
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FINANCIAL TIMES

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Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700

Thursday January 4 1996

Rescues are not enough

To most outside observers it has long seemed obvious that curing Japan's banking crisis would eventually require substantial public funds. So when, just before Christmas, the government agreed to vote money towards the disposal of the country's seven bankrupt housing loan companies, many cheered. But, only a few days into the new year, those cheers already sound a little hollow. The proposal is not just politically unpopular. Without radical complementary reforms, it could be economically unwise, too.

The fiasco of the housing lenders is a perfect example of all that went wrong in Japan during the bubble economy. These institutions were established by the banks in the 1970s, largely to evade regulations which prevented them from cashing in on the burgeoning market for home loans.

When the rules were changed, these supposed "mortgage lenders", with the encouragement of their parent banks, gorged themselves on speculative lending to property companies, golf course developers and even organised crime. After the collapse of property values, they tried to trade their way out of trouble by making still riskier loans and offering high interest rates, which enticed farming co-operatives into providing generous support.

In view of all this, it is hardly surprising that the plan to donate at least ¥600bn (£4.25bn) of taxpayers' money, to assist the disposal, has met with popular resistance. Few governments have ever won votes by agreeing to bail out banks and, in this case, the deal is doubly unpopular. The real beneficiaries are the agricultural co-operatives, which refused to accept their share of the losses as creditors of failed institutions and will, instead, have a substantial proportion repaid by the government.

Yet governments must occasionally take unpopular decisions: the real question is whether this is at least the right one.

pressure to act prudently. The government's implicit guarantee has been the principal factor undermining the quality of Japan's financial system in the last decade. In future, however, says the government, banks can no longer be expected to be supported. When proposing this rescue, therefore, it claimed it had avoided the risk of moral hazard.

A powerful force

But has it? There are three (not mutually exclusive) ways to do so. The first is by means of what supervisors call "constructive ambiguity" - no institution or group of institutions should be certain that they would be bailed out in the event of collapse. Provided they believe they may be allowed to fail, they will have an incentive to behave themselves.

But there is little constructive and not much ambiguous about the housing lenders' package. The bailout amounts to a surrender to the nation's farmers, a powerful force in politics, who, it seems, will be substantially protected from the folly of their (or their banks') investment decisions.

The second approach would be to achieve wholesale change at the institutions that benefit from assistance. The government has promised a full inquiry into the housing loans mess and has said that those responsible will be "pursued vigorously". Judgment on that will have to await events. The third and most important way of avoiding moral hazard is to ensure greater transparency. It is unfair to expect depositors and investors to bear risks in an opaque financial system. If financial institutions offer limited disclosure, how can the public be expected to bear responsibility? But that is still, in essence, the position in Japan at the moment.

Now is the perfect opportunity for the authorities to make the needed changes. They should make any financial assistance conditional on full and transparent disclosure by all financial institutions in future. Otherwise, any official support for stricken financial institutions would not merely be unpopular, but would turn out to be no more than expensive sticking plaster on a financial system in need of a radical cure.

Moral hazard

With any bailout the need to avoid systemic failure must be balanced by the need to reduce moral hazard. If an institution knows it will be saved, come what may, it is under no market

Dressing down in the City

In retrospect, 1985 marked an important sartorial watershed for the City of London: the introduction of "dress-down days" at a number of - mostly foreign-owned - banks and brokerages. Every Friday, staff at these institutions are urged to abandon their traditional tailored suits in favour of casual clothing. The new policies are the subject of cynical smirks from more conventional rivals and mock-ironic laments for the demise of the old school tie.

The "dress-down day", already an institution on Wall Street, does itself to ridicule. It is argued that it increases morale and allows staff to express their more creative, idiosyncratic yearnings. Senior bankers appear to believe that a weekly change of clothes is enough to achieve this transformation.

Thirty years later, sightings of denim jeans on the leading floor in the stuffer corners of the City, though for the opposite reason. The women of the 1980s were berated for wearing trousers because their clothing was interpreted, quite correctly, as a sign that they intended to be treated as equals to men. The mod's sharp suits were also seen as subversive because smart clothes had historically been the preserve of the rich. Conversely, critics of casual dress in the City assume that it will detract from bankers' authority by stripping them of their Savile Row suits and silk ties, the visible symbols of their social and professional status.

Emblems of insecurity

Not so. There is nothing wrong with respecting tradition, but the City's new staffed by people who tend to be younger, brighter and from a broader range of backgrounds than their predecessors. There are more women, a wider range of ethnic minorities and more graduates.

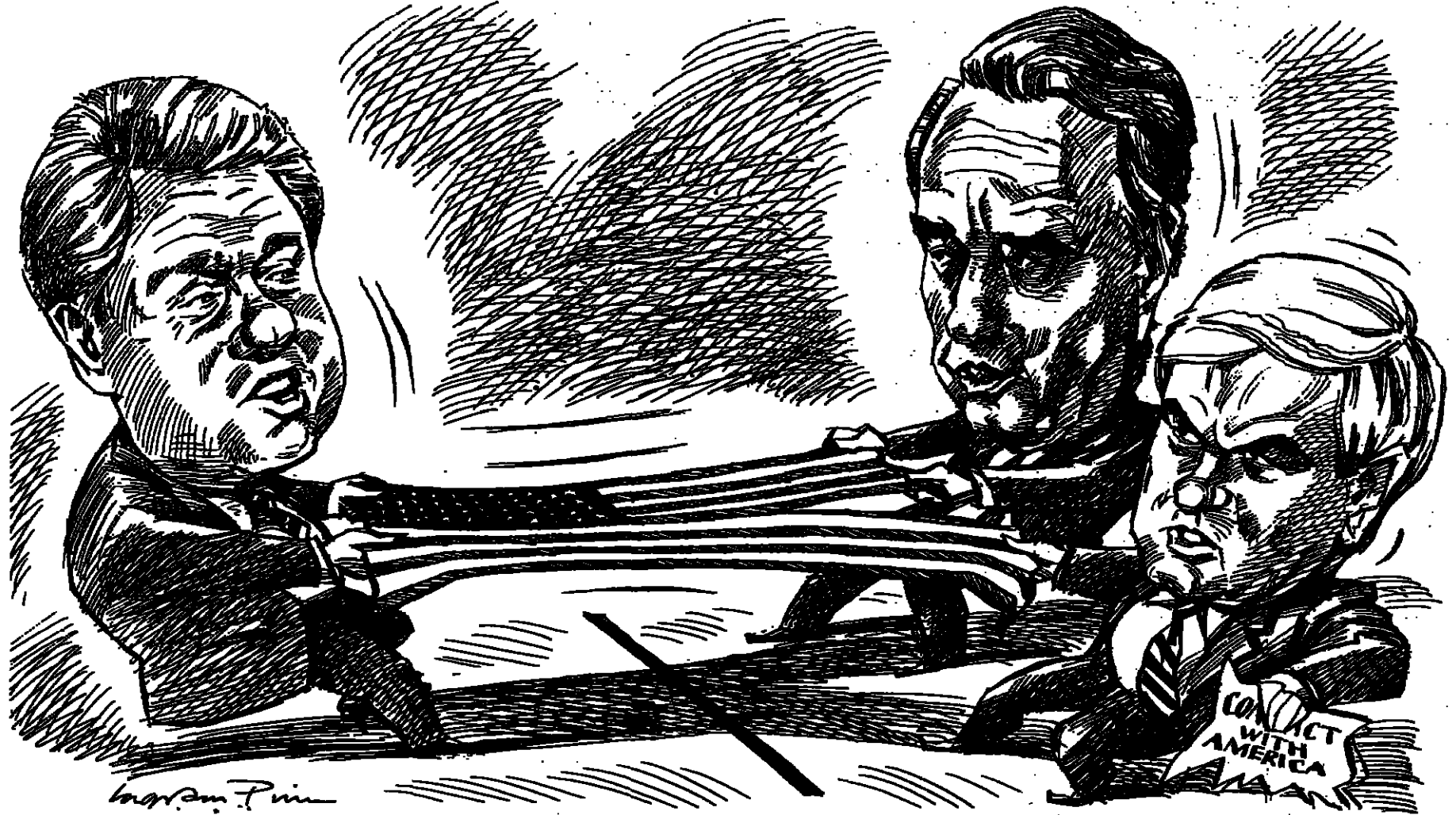
Many of the brightest bankers and brokers have never belonged to a public school or a regiment. Those that have no longer feel the need to wear the tie to remind other people of it. After all, a Savile Row suit is not the most comfortable wear if you spend most of your day, as many modern bankers do, in front of a computer.

But scruffiness is not the answer. Rather than taking their sartorial cue one day a week from Wall Street, the City's messengers would be better off modelling themselves on their counterparts in continental Europe. Bankers in Paris, Milan or Frankfurt dress more casually but much more smartly than Londoners every day of the week, not just Friday.

New expectations

Back in the 1980s, the rise of Britain's "mods" with their sharply cut mohair suits, marked the emergence of a generation of working- and lower-middle class youths who, by dressing smartly, were telling society that they expected to be treated as equals not underlings.

The women of that era sent out the same signal by starting to wear trouser suits. The spectacle of women in trousers caused a sensation. They were turned away from hotels and restaurants. Some companies banned female employees from wearing them to work.



Tug of war for America's soul

Candidates as well as voters will have to make choices between the various lessons of history in the presidential election, says Jurek Martin

America faces a political year which, for once, may justify the overused adjective "historic". Its final national election before the millennium may offer the country a fundamental choice between continuing, with refinements, the social policies introduced by Franklin D Roosevelt 60 years ago and fleshed out under Lyndon Johnson 30 years later, or pursuing a new holy grail, the balanced budget.

On the other hand - and there is always another hand in politics - it may not. A nation given to flirting with extremes but not voting for them in sufficient numbers may also conclude that it is best to divide the management of the country, the presidency resting with one party, Congress with the other.

This has been the standard *modus operandi* for the great majority of the postwar years. In the Britain of a bygone era, it would have been called "muddling through", but in the US, with its constitutional checks and balances, it appears a more natural order.

Still, there is enough of the historic to be worthy of note. If President Bill Clinton, without rival for the nomination of a party chronically addicted to challenging incumbents, wins a second term, he would be the first Democrat to pull off the trick since FDR 60 years ago. He would also be the first elected Democratic president to be returned after his party has lost control of Congress in intervening mid-term elections. (Harry Truman, another historic figure Mr Clinton would like to emulate, retained the White House in 1948 after losing Capitol Hill two years earlier, but he was serving out FDR's unexpired term.)

Republicans are also starting at history. If Senator Bob Dole of Kansas, favourite for the nomination of a party which generally prefers

familiar faces, wins he would be the first president elected over a man at least a generation younger. More common knowledge is the fact that the majority leader, 73 next December, would be the oldest first-timer in the Oval Office, exceeding Ronald Reagan's 69 years in 1981.

But it is contemporary history which stirs the blood of 1996. Although the outcome of the budget battle may tip the advantage to one side or the other, it is rare for an election to be in such doubt when the contrasting visions are so sharply juxtaposed. They are quickly represented by the quicksilver Mr Clinton and Mr Dole notwithstanding, the Republican Contract with America, the handiwork of Congressman Newt Gingrich, Speaker of the House of Representatives.

The president, acknowledged as a formidable campaigner, enters election year far removed from the advocacy of "change" that worked so well in 1992 and less effectively in his first two years in office. Although he has cut the federal budget deficit nearly in half (from an inherited \$300bn plus to about \$160bn), he now has cast himself as a defender of the FDR inheritance, with suitable modifications.

But he is also a qualified believer in the revolutionary and untested notion that Federal red ink can be eliminated in seven years. As a policy "wonk" he naturally believes that the devil is in the detail. This is precisely the reverse of the Republican philosophy which holds that much government power, including federally guaranteed social safety nets, properly belongs in the states, not Washington.

Right or wrong, it has proved good politics for Mr Clinton. A Democratic party, the liberal wing of which has never fully trusted him and found him desperately disappointing for two and a half years,

now sees him as the last redoubt against the rampaging Republican horde. Approval ratings at a little over 50 per cent, the highest of his term, suggest that independent and floating voters are also taking second and more favourable looks.

But his recovery stands in direct relation to the recent ebbing of the Republican tide, a remarkable development in itself. For much of last year Mr Gingrich and his Contract were the story. Their first 100 days appeared a monumental achievement with legislation rolling through the House and the national debate shifting to the Republican ground of attacking the social safety net to balance the budget and leave room for a sizeable tax cut. Mr Clinton appeared mute, even powerless, and Mr Gingrich - permitting speculation that he might even run for the office and thus diminishing Mr Dole and all the other declared candidates.

Too much can be made of the Speaker's fall from grace, the result of his own pride and petulance, because nothing, as Mr Clinton has shown, is irreversible. But the year-end accounting of the Contract with America showed how few were its concrete achievements. Whether sandbagged in the Senate or blocked by presidential veto, only two of its 10 cardinal points, both relatively uncontroversial, made it into law.

Both houses did pass the line-item budget veto but the congressional leadership belatedly realised that it would give Mr Clinton more power and never sent it to him to sign. Wide-ranging reforms of the legal system only survived as narrower bills covering the securities industry and product liability. Moderate Republicans allied with Democrats to prevent the most radical repeals

of environmental laws. Constitutional amendments to balance the budget, impose term limits on members of Congress and ban the burning of the American flag all failed.

Reforms of welfare, Medicare and Medicaid, as well as "middle class" tax cuts, have been subsumed in the wider budget negotiations. This provides consolation to believers in the Contract because no agreement honestly trying to balance the books can ignore federal entitlement programmes - although reducing taxation may be another matter. But the nature and scope of the proposed Republican reforms have also allowed Mr Clinton to draw his lines in the sand, to good effect. The resulting budget impasse has produced two partial shutdowns of the government for which the Republicans in Congress rather than the president are mostly blamed.

The Contract also further exposed the deep fault-lines in the Republican party apparent in 1992 - now as much of a problem for Mr Dole as it was then for Mr George Bush when he was president. No matter how much he accommodates the right-wingers they still refuse to pull for a man they consider to be the embodiment of the worst of Washington - the professional politician. But their far more ideological alternatives would surely lose as heavily to Mr Clinton as Mr Barry Goldwater did to LBJ in 1964 and Mr George McGovern to Richard Nixon in 1972.

Presidential candidates on the Republican right continue to throw up interesting arguments, such as Steve Forbes's flat tax. Lamar Alexander's demand that the states be ceded even greater powers and Senator Phil Gramm's take-no-prisoners balanced-budget economics. None of these ideas is Mr Dole's natural ground but his obvious calculation is that he must adopt some, such as the balanced budget

amendment, to win the nomination before stepping sharply back to the centre once it is locked up.

But that may look as opportunistic as Mr Clinton's worst shifts with the prevailing wind and will hardly appeal to the centre - including far from extinct moderate Republicans, crying out for a principled independent or third party alternative. That will not be General Colin Powell, although, as a Republican, he could help Mr Dole in the campaign. It probably will not be Mr Ross Perot or the nominee of his Reform party, assuming someone of substance can come to terms with the cranky but still influential 1992 candidate. None of the large crop of distinguished senators retiring in semi-digust with politics (such as Sam Nunn and Bill Bradley) want to get involved again so soon.

In fact, the voluntary departures from Congress are themselves now reaching historic proportions, making predictions of control unusually difficult. These range from filibuster- and veto-proof majorities for the Republicans to Democrats back in control of at least one chamber. Much may depend on whether the 73 militant Republicans elected in 1994, conservative children of the Contract, can persuade their electorates that they have made a difference for the better. That itself is the issue which could decide who next sits in the White House.

As of now, Mr Clinton has a clear but not decisive advantage. But it is only too easy to see rocks ahead for the president - Bosnia, Russia, Whitewater and a possible economic downturn merely heading a long list. With election day still 10 months off, it is no good peaking too soon, as FDR in 1936 and Mr Reagan in 1984 showed. In the Januaries of their "historic" second-term landslides, both were considered vulnerable. Bill Clinton should be so lucky.

OBSERVER

Printing pressures

Checks (that's the nearest English translation for this curious institution) apparently played a role at the time. Still, Buba is investigating and its results will be awaited eagerly. The idea that Europe's monetary Cerberus might possibly have been the victim of price inflation should amuse some central banker somewhere.

Defining moment
It may take the citizens of Europe a bit longer to accept the name of their new currency, but the Euro - the product of EU leaders' collective inspiration at the Madrid summit - is already in the dictionary.

Spain's Royal Academy of Exact, Physical and Natural Sciences has managed to get it into the latest edition of its dictionary of scientific and technical terms, due out next month. Not that Angel Martín Muñoz, the academy's president, is much of an enthusiast for the Euro, pronounced *eh-o-ro* in Spanish. "A rather ugly neologism," is his judgment.

By contrast, the authoritative dictionary of the Spanish language, published by the august Royal Spanish Academy, will not feature the new currency until its next edition in about two years' time. But it does already have an entry for the word "error", defined as a wind "blowing from the east". Now that's a definition the English lexicographers might usefully

consider when they come to include the new currency unit...

Alarm bells
This is the year that Deutsche Telekom must improve its dismal image in the hope that clients will buy its shares when it is partially privatised later in 1996. Barely recovered from the uproar about the backers and the overseas sex chat calls billed to assorted other Deutsche Telekom clients, the company has now suffered further embarrassment, this time at the hands of its absent-minded computers. No doubt tied up with administering the hideously complicated tariff changes - which make local calls up to 156 per cent dearer - the machines forgot that new year's day was a holiday and billed thousands for peak-time weekday calls. Not that Observer ever subscribed to the myth of German efficiency in the first place.

Hearty response
The medical bills are piling up at the Onassison Cardiac Hospital in Athens where Andreas Papandreu, the Greek prime minister, has been in intensive care for the past six weeks. But Papandreu's former wife Margaret, an American citizen, and their four children, are not satisfied. They have now decided

they want him to be treated in the US, since they reckon that his lung and kidney problems cannot be sorted out at a hospital that specialises in open-heart surgery.

President Bill Clinton has offered to send a US military hospital plane to fly the Greek premier to Bethesda Naval Hospital in Washington - where Papandreu did national service as a medical orderly during the second world war. But can Greece's taxpayers afford to foot the bill? No problem, advisers say. As the prime minister is also commander-in-chief of the Greek armed forces, his medical expenses can be paid out of US military credits to Greece. With over \$100m pouring yearly into the defence ministry's kitty, there is plenty of cash available to cover a prolonged stay in an American hospital.

Moving target
Talk about moving the goal posts. World soccer governing body Fifa has decided that the standard goal, which has officially measured eight yards across by eight feet high for the last 130 years, is too small. Officials propose to widen it by the equivalent of two balls' width and make it one ball higher.

The practical difficulties of simultaneously updating several million football pitches around the world could only be outweighed by the problems of retraining players to miss a bigger target.

100 years ago
The Canadian danger. Although war-clouds are looming all round, the little one in the direction of Canada must not be overlooked. It is in all probability not very heavily charged, and may pass away without any inconvenience. Precaution is therefore necessary, and we are glad to hear that steps are being taken to strengthen the Canadian militia and the defences. It is satisfactory to learn that the precautions in favour of the Canadian frontier may convince even the belligerent Yankees that there is a nut to crack in that direction.

50 years ago
US prospect in 1946. Recently we suggested that the one certain prospect ahead of American industry was an increase in Labour strife. The relationship between employers and organised Labour has, in fact, deteriorated steadily since VJ-Day. Current claims and counter-claims between the automobile workers' union and General Motors, and between steel workers and employers, have been marked by a bitterness and violence of abuse unparalleled since war began. The latest threat involves steel industry operations.

صحة من الاصل



Chirac urges ministers to push on with reforms

By David Buchan in Paris

President Jacques Chirac yesterday exhorted his ministers to push on with reform, but the French government's first legislative move of the year - approval of a draft law on apprenticeships - was criticised by employers as well as unions as insufficient to create youth jobs.

In the wake of last month's public sector strikes - the worst for a decade - Mr Chirac told the cabinet that its programmes for cutting public deficits and unemployment were "the right ones", but that "we must now go further" in improving dialogue with the people.

Mr Alain Juppé, prime minister, responded to the strikes by dropping some of his welfare reforms, promising to consult unions more on remaining reforms and pledging a new drive to cut unemployment, especially among the young. The jobless rate for those under 25 is around 22 per cent, or twice the national average.

The draft law approved by the cabinet will replace a number of apprenticeship schemes and incentives with a single FFR13,000 (£2,600) a year public subsidy to

Employers and unions criticise draft law on apprenticeships

companies hiring and training an apprentice. For the past few years, French governments of left and right have been trying to shape Germany's success with apprenticeships, but the number of young entering these on-the-job training schemes has risen only slowly, from 160,000 in 1994 to 170,000 last year, and one in four is said to leave without completing the apprenticeship.

Mr Bruno Lacroix, head of the Patronat employers federation's training committee, noted yesterday that all forms of apprenticeship incentives, including tax credits, already totalled FFR16,000 a year for each apprentice, and complained the new subsidy would have to be nearly double its proposed level to make a serious dent in youth unemployment.

He said he was surprised at the government's lack of ambition when Mr Chirac had talked in his new year message of mobilising the country to find jobs for its youth. This criticism was made more harshly yesterday by Mr François Hollande, spokesman

for the opposition Socialists, who accused the president of redeeming his promises in words alone. But there was little or no sign yesterday of the three main union federations involved in the strikes relaunching their protests against the remaining features of the Juppé welfare reforms, mainly in the health sector.

However, their spokesmen all warned yesterday that some incident, perhaps a government gaffe or even just the first impact of a new 0.5 per cent welfare tax on this month's pay packets, could provide the spark for further action.

The communist-leaning CGT has called on its members in Electricité de France and Gaz de France to demonstrate today in support of wage and job claims at the state-owned utilities. But the independent Force Ouvrière and the pro-Socialist CFDT have not joined the strike call at EdF and GdF.

The government yesterday set a ceiling of 84 per cent on the increase of the total wage bill of state-owned companies this year.

Cathay cancels relocation move to Australia

By Louise Lucas in Hong Kong

Cathay Pacific, Hong Kong's de facto flag carrier whose position is under challenge from China, has reversed a decision to relocate its training facilities to Australia and said it will continue to train its pilots in the colony.

When it made the original decision in September, the airline said costs were the reason for shifting the operations. However, the about-turn was described by Cathay Pacific yesterday as also purely commercial, following a last-minute offer of cheap land.

Executives say they have now calculated productivity would be eroded by the two-way eight-hour flight most pilots would have to make to receive training.

Cathay Pacific has come under pressure from various quarters since the original decision to relocate was announced four months ago.

Its longstanding dispute with Australia over Qantas' alleged abuse of its so-called "fifth freedom" rights (picking up excess passengers in Hong Kong for onward passage to other Asian cities) was only recently resolved in a way analysts say favoured Australia.

Cathay, majority-owned by the UK-controlled Swire Pacific, has also found itself forced to defend its position after June next year, when Hong Kong reverts to Chinese sovereignty.

China National Aviation Corporation (CNAC), the airline subsidiary of the Civil Aviation Authority of China (CAAC), appears intent on setting up in Hong Kong, threatening Cathay's supremacy and, Cathay executives say, the foundations of Sino-British agreements on the post-1997 constitution.

In an attempt to deflect CNAC, Swire Pacific sought to offer it a stake in Dragon Airlines, a company owned 30 per cent by Cathay and 13 per cent by Swire Pacific which mostly handles flights to China. These talks, which would have seen a 10 per cent slice sold to CNAC for HK\$700m (\$90m), appear to have come unstuck.

Cathay's cancelled move to Australia, involving an estimated investment of A\$110m (US\$81m), would not have been the first sign of the flight carrier looking overseas: it has already moved data processing operations to Australia, again to cash in on cheaper land and wage costs.

A Cathay official also mentioned the carrier's planned 500-room staff hotel at Chek Lap Kok, the colony's new airport, which will enable it to put up visiting staff more cheaply.

The company was no longer concerned about a mass emigration of pilots after the 1997 hand-over, another factor behind the original decision to relocate, as many pilots were now based in their home country.

THE LEX COLUMN

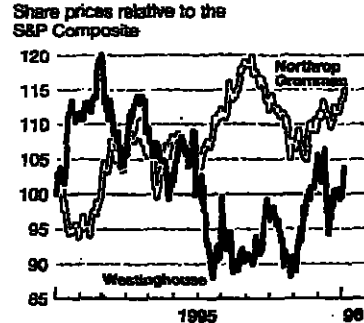
Military mergers

Northrop Grumman's \$3bn acquisition of Westinghouse's electronic systems division marks a new phase in the US defence industry's consolidation. Last year's merger of Lockheed and Martin Marietta and Northrop's own purchase of Grumman and Vought Aircraft in 1994 brought together direct rivals. The rationale for these deals was to take out capacity in the face of shrinking military budgets. The latest transaction is a case of vertical integration, with Northrop - whose main activity is building aircraft like the B2 stealth bomber - taking over an electronics business which makes radar and command-and-control systems. The logic behind marrying the two skills is to produce so-called "systems integrators" which can act as prime contractors on big defence programmes. This was one of GEC's principal arguments in its unsuccessful attempt to get closer to British Aerospace.

Northrop is certainly prepared to pay up for the privilege. The price is about \$1bn more than the Westinghouse unit was expected to fetch and Northrop will end up with debt of 1.4 times its market capitalisation. Westinghouse, by contrast, will repay most of the money borrowed for its \$6.5bn purchase of the CBS television network. Two-thirds of its ongoing earnings will now come from broadcasting. But given the poor performance of its original power generation business, the group's transformation still fails to excite.

FT-SE Eurotrack 200: 1630.1 (+19.6)

Westinghouse and Northrop



Source: FT Data

for every possible permutation of numbers. An attempt to corner the market could, in fact, lead to spectacular losses: in January, a £10m jackpot was shared between 133 people. A similar split on Saturday would reduce a \$35m jackpot to £283,000. punters can reduce this risk by avoiding permutations they think will be popular - this may be the method used by the International Lotto Fund, a Melbourne syndicate - but only by lessening their chances of winning.

This does not mean no one will try to beat the system. If the world were not full of suckers, lotteries would not exist. In real life, though, the only guaranteed way to make money out of the lottery is to run it.

Insurance

attention on its core businesses of tobacco and financial services, rather than its ambitions to invest in anything from hotels to power stations.

It is also possible that BAT can provide financial aid in exchange for more shares. BAT wants to consolidate its global tobacco interests and ITC is an attractive target. It sells the majority of western-style cigarettes in a large and fast-growing market, and its share price is almost 40 per cent below its level at the start of 1995. Given the uproar over its last attempt to dictate events at ITC, however, it will require some slick diplomacy to win political support for increased control.

The first report on UK life assurance companies since new disclosure rules were introduced is an important step in making a complex market more transparent. The Personal Investment Authority's report compares fees charged by different companies. This information is publicly available but highlighting the gap between the highest and lowest chargers is still likely to bring margins under further pressure. Not surprisingly, companies are not keen on the idea, but fostering openness is part of the regulator's remit.

The companies' reservations about the disclosure of information on persistency rates - which show how many people keep up the policies they have taken out - is little better founded. A high rate of early surrender is clearly correlated with poor selling, since decisions based on sound advice are less likely to be reversed. Lapsed policies can of course be the result of changed personal circumstances. But companies selling to less wealthy individuals, who may face greater difficulty in keeping up payments, should already be taking their circumstances into account.

Broadly, increased scrutiny means companies with sound sales techniques and competitive fees will fare better. Low inflation and lower nominal returns have made it harder to charge high fixed fees. But there may be a virtuous circle for well-regarded companies which can generate more business and keep costs down, enabling them to charge lower fees and win more business. The missing link is investment performance. The regulator could usefully highlight anomalies in this area too.

ITC/BAT Industries

The Indian conglomerate ITC is not proving a good advert for investment in India. First, there was the xenophobic spat with its largest shareholder, BAT Industries, over BAT's attempt to influence management succession and strategic direction. Now ITC has been hit with an Rs9bn (\$220m) fine for alleged tax evasion, equivalent to 15 per cent of its market capitalisation. Of course, even if a proposed appeal is unsuccessful, it will delay payment for some years. Moreover, the tax fine is itself tax-deductible, thereby lessening the blow. Nonetheless, it is a significant sum, and does little for the reputation of a group which was trying to transform itself into India's premier multinational.

This is not entirely bad news for BAT. It may have to make a provision for its 32 per cent share of any fine, but the maximum would be around £40m. Moreover, the latest allegations of tax evasion should refocus ITC's

National Lottery

Forget Mystic Meg. To win the British lottery, all you have to do is wait for a big jackpot, like this week's £30m-£40m prize, then buy tickets for all the 14m possible number permutations. Hey presto! You are bound to win the jackpot - plus thousands of smaller prizes. To do so, you only have to spend £14m on tickets and pay a small army of minions to fill them in for you.

Like most guaranteed money-spinners, this wheeze is hopelessly flawed. For a start, it assumes Camelot, the lottery operator, will not catch on; if it does, it can stop you buying tickets.

There is a more fundamental snag. Although a win is guaranteed, to make money you must not share your jackpot with more than one other person. Compared to almost any investment, this looks a pretty poor bet. More than 80m tickets are likely to be sold for this week's game - around six

US budget

Continued from Page 1

have been under a news blackout, but it is understood that the principals have only begun to discuss the trade-offs both sides would have to make to produce an agreement. These would have to include the size and composition of the proposed \$245bn Republican tax cut as well as the extent to which the growth in federal spending on programmes such as Medicare and Medicaid would be reduced.

Meanwhile, US embassies are operating on short compass. The one in Vietnam may have to do without power because it has no funds to pay a \$1,600 electricity bill, while the Havana operation is threatened with having its water cut off.

Northrop

Continued from Page 1

Northrop said it expected earnings per share of more than \$5 in 1996 and predicted profits would grow by more than 10 per cent annually for "several" years, starting in 1997.

The combined businesses should achieve sales of \$10bn by 2000.

Westinghouse said operations remained under examination of the defence and furniture sales would leave the group with annual turnover of \$10bn, of which 45 per cent would come from broadcasting. In early afternoon trading on Wall Street yesterday, Northrop's share price was down 82¢, at \$62.5 and Westinghouse up 8¢, at \$18.

UK to go ahead with rail company flotation in May

By Geoff Dyer and George Parker in London

The privatisation of Railtrack, the company which has taken over British Rail's track, stations and signalling, will go ahead in May despite growing political opposition, the British government announced yesterday.

The flotation, which analysts expect to value the company at between £1.5bn (\$2.3bn) and £2.5bn (\$3.8bn), will follow the pattern of previous privatisations by offering large incentives to private investors.

The government intends to set aside at least 30 per cent of the shares in Railtrack for UK retail investors, although the size of the public offer can be increased if demand is strong.

This is less than the proportion of shares allocated to the public in National Power and PowerGen, the generators whose privatisation was completed last year, but more than in the sale of the water companies.

Institutions will be able to bid for shares through an international offer using the bookbuilding method. SBC Warburg will be global co-ordinator for the flotation.

The opposition Labour party hopes to exploit Tory concerns over rail privatisation by staging a House of Commons debate on the subject in the next few

weeks, and winning the support of a number of rebels.

However, the fears of some Conservative MPs were assuaged when they saw the shape of the first rail franchises - awarded last month - in which private operators promised better services and higher investment.

Labour has refused to give details of how it would keep its promise of retaining a "publicly owned, publicly accountable rail network", for fear of making any binding public spending commitments. Mr Brian Wilson, shadow transport minister, sought instead to deter investors by creating a climate of uncertainty. "Investing in rail privatisation in the dying days of a Tory government would be an irresponsible course of action," he said.

Analysts said the lack of information about the company's financial structure made it impossible to value accurately. "We will need to see how much debt the government has decided to leave in there first," said Mr Ian Wild, analyst at Barclays de Zoete Wedd.

Mr Richard Aitken-Davies, Railtrack's director responsible for privatisation, said "substantive negotiations" with the government over a reduction in the company's £1.7bn debts had not begun yet. It is understood that Railtrack is pushing for a £1bn write-down of its debts.

FT WEATHER GUIDE

Europe today

A frontal zone will slowly move across the British Isles. Brittany and the western Iberian peninsula. It will produce rain in Scotland, England, Brittany, Portugal and north-western Spain. Ireland will be dry with sunny periods except for a few showers in the north. Dry conditions with bright sunny spells will prevail from the Low Countries to as far south as eastern Spain but cloud will linger across northern France, Belgium and Germany. Italy, the Croatian coast, Albania and Greece will be settled and sunny. A low in the eastern Mediterranean will cause unsettled conditions with wind and showers in Turkey and Cyprus. An upper air disturbance will cause snow from Romania to the Baltic states. Russia and southern Scandinavia will be settled.

Five-day forecast

Portugal will be unsettled with a lot of rain. Low pressure will develop in the central Mediterranean on Saturday resulting in occasional rain along the Riviera and on Sardinia and Sicily. The rain will linger in the eastern Mediterranean on Sunday. An Atlantic low pressure system will direct frontal systems with rain towards France.

TODAY'S TEMPERATURES		Situation at 12 GMT		Temperatures maximum for day.		Forecasts by Meteo Consult of the Netherlands	
Abu Dhabi	sun 26	Caracas	sun 9	Frankfurt	rain 17	Madrid	show 13
Accra	sun 26	Cardiff	rain 7	Geneva	rain 7	Melbourne	rain 17
Algiers	sun 21	Casablanca	sun 17	Manila	rain 22	Perth	sun 11
Amsterdam	sun 11	Chicago	sun 17	Manchester	rain 17	Rome	sun 11
Athens	sun 11	Colonia	sun 17	Moscow	cloud 17	S. Frisco	cloud 15
Bahia	sun 23	Dallas	sun 17	Nairobi	sun 17	Seoul	cloud 15
Bangkok	sun 23	Dubai	sun 28	San Francisco	sun 17	Singapore	cloud 28
Barcelona	sun 14	Hankow	sun 17	Sao Paulo	sun 17	Stockholm	cloud 16
		Hong Kong	sun 23	Shanghai	sun 17	St. Louis	cloud 15
		Houston	sun 23	Singapore	sun 17	Tokyo	cloud 14
		Jakarta	sun 28	Sydney	sun 17	Toronto	cloud 14
		Jeddah	sun 28	Taipei	sun 17	Vancouver	rain 4
		Johannesburg	sun 17	Tel Aviv	sun 17	Vancouver	rain 4
		Kuala Lumpur	sun 28	Toronto	sun 10	Vancouver	rain 4
		Lima	sun 28	Washington	sun 17	Vancouver	rain 4
		Lisbon	sun 17	Wellington	sun 17	Vancouver	rain 4
		London	sun 17	Winnipeg	sun 17	Vancouver	rain 4
		Luxembourg	sun 17	Zurich	cloud 0		
		Madrid	sun 17				

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STOCKHOLM ENERGI

USD 350,000,000 Revolving Credit Facility

Arranger: Chemical Bank

Lead Managers: Bayerische Landesbank Girozentrale, Enskilda, The Norinchukin Bank

Managers: The Asahi Bank, Ltd., Banque et Caisse d'Epargne de l'Etat, Luxembourg, The Daiwa Bank, Limited, Landesbank Hessen-Thüringen Girozentrale, The Sanwa Bank, Limited, The Tokai Bank, Limited, Bank in Liechtenstein AG

Agent: The Sumitomo Bank, Limited

THE SUMITOMO BANK, LIMITED

This announcement appears as a matter of record only. November 1995

STOCKHOLM ENERGI

JPY 2,000,000,000 Private Placement due 2005

Arranger: Chemical Investment Bank Limited

Agent: Chemical Bank Tokyo Branch

THE GLOBAL BANK

INTERNATIONAL COMPANIES AND FINANCE

NEWS DIGEST

Banca del Gottardo hit by provisions

Banca del Gottardo, the Swiss bank controlled by Sumitomo Bank of Japan, has reported a 7 per cent slide in parent company net profit in 1995 to SF750m (\$45.81m) as weaker results from lending offset advances in securities and currency trading.

Danisco buys Campbell Soup unit

Danisco, the Danish food, beverages and packaging group, will become one of Europe's 10 largest producers of frozen vegetables following an agreement to acquire the Dutch frozen vegetable producer Groko from Campbell Soup of the US.

Brazil bid by Philip Morris

Philip Morris of the US has made an offer for Lacta, one of Brazil's biggest foodstuffs companies. Philip Morris made a \$100m bid on Tuesday and offered to take on Lacta's debts of \$70m.

Pechiney Int in Capolo deal

Pechiney International, the packaging arm of privatised French aluminium company Pechiney, is exercising its option to increase its stake in Capolo, an Italian packaging company, to 100 per cent from 40 per cent.

France Télécom sues Poland for \$500m

France Télécom is seeking around \$500m in damages from Poland and has asked the International Court of Justice to step in over a dispute with Warsaw over mobile telephone networks, Reuters reports from Paris.

The state-owned operator said Poland had failed to honour a pledge made in 1991 to allow it to run a GSM cellular network through PTK/Centertel, in which France Télécom owns a 24.5 per cent stake.

It said in a statement that \$500m represented the amount invested in Centertel's infrastructure as well as the loss of projected future earnings.

Mr Jozef Oleksy, the Polish prime minister, has said he has become involved in seeking to end the dispute which pits Warsaw's telecommunications ministry against France Télécom and its fellow investor Ameritech of the US.

France Télécom said it had asked the International Court in The Hague to set up arbitration and a referee would be chosen within days.

It said that its legal suit, filed on Tuesday, singled out Poland and particularly its telecommunications operator, TPSA.

Setback for BK Vision in battle with UBS

By Ian Rodger in Zurich

BK Vision, the investment fund controlled by Mr Martin Ebner's BZ banking group, has suffered a setback in one of its legal actions against Union Bank of Switzerland.

A Zurich court has rejected an appeal by BK to have a special investigator appointed to examine various transactions in UBS shares in advance of a controversial shareholders meeting in November 1994.

BK Vision, UBS's largest shareholder, has charged that UBS directors purchased shares on a forward basis in advance of the meeting to influence the outcome of a vote to convert registered shares into bearer shares.

Shortly after the meeting, it won an injunction blocking implementation of the conversion and filed a legal action to annul the vote.

It also sought appointment of a special investigator, a remedy provided in the 1992 Swiss

companies law to minority shareholders who feel their questions have not been adequately answered by directors.

The judge ruled that some of the issues raised by BK Vision as justification for a special investigation were being examined in other legal proceedings.

UBS said the decision supported its view that it had provided complete and accurate information on the transactions and no further investigation was necessary. BK Vision declined to comment pending

study of the decision. The fundamental issue raised by the transactions - whether a vendor of shares under a forward contract should be allowed to vote those shares - is still to be decided by the Zurich commercial court.

Under Swiss law, companies are not allowed to vote their own shares at a shareholders' meeting. In this case, UBS bought a large volume of shares on a forward basis, bridging the meeting date.

Ikea takes steps to safeguard its future

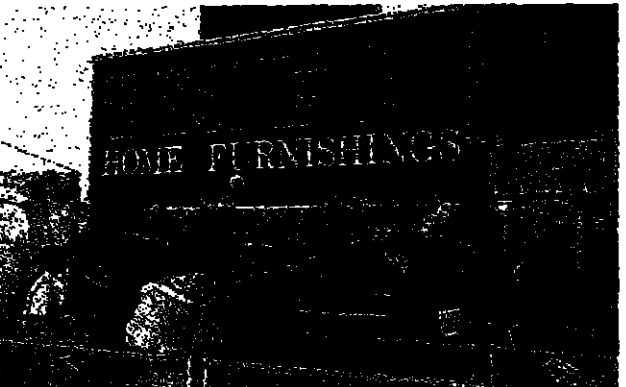
The head of the Swedish retailer has laid out a complex structure to spread control

Mr Ingvar Kamprad, the reclusive Swedish retailing entrepreneur, has over more than five decades built his Ikea chain of furniture stores into a worldwide success story. Now, at 69, he is taking steps to secure his future.

The way he has chosen is as distinctive as Ikea itself. The complex governance structure keeps the group private, yet at the same time restricts the inheritance rights of his family and its ability to make fundamental changes in how it is run.

His intentions for the next generation, disclosed today in rare comments in the Swedish business magazine Managens Affärer, reflect his desire that Ikea should not become a victim of a succession battle or be broken up.

Mr Kamprad, who founded Ikea 53 years ago in the small town of Almhult, did not specify when he would step down as chairman of the main Ikea organisations. Although he gave up the post of chief executive nine years ago, he remains actively involved. His role is a vital one, as the visionary whose commitment to Swedish design values and Ikea's egalitarian corporate culture continues to shape the organisation and produce results.



Ikea furniture stores have become a worldwide success story

SKRöbn (\$5.89bn). Profits after tax in 1994-95 are estimated by Managens Affärer to have reached about SKR2.5bn.

But a feature of Mr Kamprad's plans is that none of his three sons - Peter, 31, Jonas, 29, or Mathias, 26 - should become chief executive of the group operations. He fears that disputes between them could damage the business.

He said he had discussed the issue with the three - who all work in different parts of the Ikea sphere - and they accept his reasoning. Mr Kamprad has also rejected any move to make Ikea a public company.

risk from a hostile takeover," he told Managens Affärer. Instead, Mr Kamprad has divided his empire into three parts. The biggest is Ikeaconcern, which runs most of the retail outlets and is responsible for the design, production and distribution of the distinctive Swedish-style, low-priced furniture range. Ikeaconcern has headquarters in Denmark, but is ultimately owned by a Netherlands-based foundation, Stichting Ingka Foundation.

Ikea executives have not quarrelled with estimates that put its worth at SKR3.5bn-SKR3.8bn were it to be publicly quoted. A stock exchange listing means it is more difficult to work in the long-term way we want and need to work. Shareholders demand faster returns on their money. Money also goes in dividends. A stock exchange company is also at

the minority of independent Ikea franchise holders. Inter Ikea has capital of SKR7bn-SKR8bn and is controlled by an organisation which has the characteristics of a foundation.

A third leg is Ikea-koncern, involved in banking, finance and other services. The Habitat stores in the UK, with an estimated market value of SKR3.5bn-SKR3.8bn. It is owned by Peter, Jonas and Mathias Kamprad.

Mr Kamprad acknowledges that by opting against both control by the family and public ownership, there is a risk that the entrepreneurial drive that he has imparted to Ikea for more than five decades could be lost.

That left the vendor free to vote them, even though he no longer held the financial risk. UBS filed its reply to BK Vision's counter-arguments last month.

UBS said the decision supported its view that it had provided complete and accurate information on the transactions and no further investigation was necessary. BK Vision declined to comment pending study of the decision.

High Carney and Stellan Björk are a Swedish freelance business journalist specialising in management and corporate structures.

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Table with columns for '1st hour', '2nd hour', '3rd hour', '4th hour', '5th hour', '6th hour', '7th hour', '8th hour', '9th hour', '10th hour', '11th hour', '12th hour'. It lists various securities and their prices.

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Handwritten Arabic text: 50 من الاصل

INTERNATIONAL COMPANIES AND FINANCE

Mahindra Ford to build second car plant in India

By Shiraz Sidwa in New Delhi

Mahindra Ford India, the joint venture between Ford of the US and the Bombay-based Mahindra and Mahindra group, plans to build another car plant in India.

The new facility is to be sited in Maraimalai Nagar, near Madras. It will cost between Rs15bn and Rs20bn (\$426m-\$565m) and will be the second site for Ford's vehicle manufacture in India.

India's Foreign Investment Promotion Board recently cleared a proposal by the joint venture to invest \$746m in the Indian car business.

The plant is scheduled to be in operation by the end of 1998. It will initially produce Ford's

Fiesta model, and will have a capacity of 100,000 cars a year.

Mahindra Ford will launch the Ford Escort later this year. It will be produced at Mahindra's existing facility at Nashik in Maharashtra, using both local and imported components.

Mahindra and Mahindra is India's largest manufacturer of utility vehicles and tractors, with market shares of 57 per cent and 27 per cent respectively.

The group is among the top 10 industrial groups in the country, employing more than 17,000 in seven factories, and has one of the largest dealer networks in the country.

● Ford Credit International, a wholly-owned subsidiary of

Ford Motor Credit Company, Mahindra and Mahindra, and Kotak Mahindra Finance, are setting up a joint venture.

The new venture, Ford Credit Kotak Mahindra, will exclusively finance purchases of Ford Mahindra vehicles in India.

Ford Credit will have a 55 per cent stake, Mahindra 10 per cent, and Kotak Mahindra Finance 35 per cent. All three partners will contribute to the company's Rs300m equity.

A separate joint venture, Kotak Mahindra Prizmus, will finance non-Ford passenger cars. Kotak Mahindra Finance will hold a majority stake of 60 per cent in that venture, with Ford Credit holding 40 per cent.

CBoT plans Argentine venture

By Laurie Morse in Chicago

The Chicago Board of Trade has signed a letter of intent to develop a financial futures and options exchange in Argentina. The venture, which would be undertaken jointly with the Buenos Aires stock exchange and the Buenos Aires chamber of commerce, would be the Chicago futures market's first entry into Latin America.

The venture, which must still be approved by the CBO's board of directors, puts the exchange in direct competition with its neighbour, the Chicago Mercantile Exchange, in the race to develop business in Latin America.

The CME this year will open an emerging markets division in Chicago, where it hopes to trade futures and options on Mexican, Brazilian and Argentine stock indices and currencies, as well as Brady bonds.

"There is no question both [exchanges] see a lot of opportunities in emerging markets," said Mr Fred Grede, CBO's senior vice-president of operations and planning. "The CBO's long-term strategy is to develop domestic markets in these countries, which will eventually bring new product opportunities to Chicago."

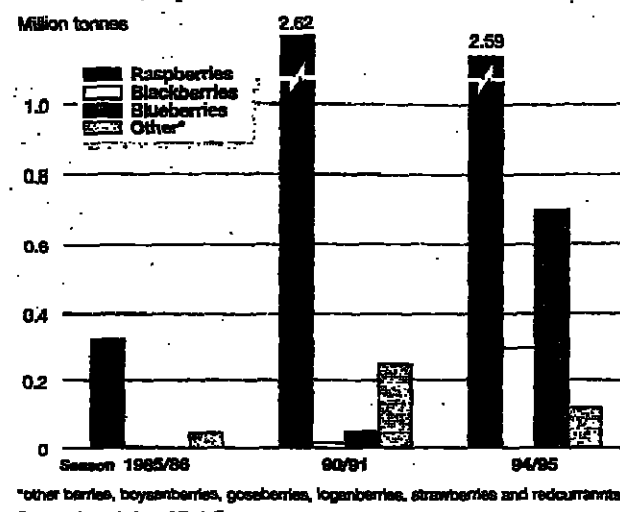
The CME is prevented from developing joint ventures or linkages with other exchanges under its Globex contract with Reuters, the information organisation, leaving it to focus on developing emerging markets products on its own trading floor.

The CBO will provide consulting expertise to its Argentine partners in the first phase of the new venture, with potential linkages or an equity partnership possible later.

Hortifrut seeks bigger bite of cherry

Berry producer aims to improve its distribution, writes Imogen Mark

Chile's fresh berries exports



For Mr Victor Moller and his workforce at Hortifrut in Chile, the world's biggest fresh berry exporter in the off-season, getting the fruit from the bushes to the blender is a battle against time.

Raspberries, blackberries and blueberries make up the bulk of Hortifrut's sales. However, it also grows small amounts of red and blackcurrants, wild strawberries and cranberries.

Berries are the most difficult of all fresh fruit to harvest and market because they are so perishable. They also have to be picked by hand, which requires a skilled and dedicated workforce of up to 2,000 people a day, who must be prepared to pick for up to 200 consecutive days, abandoning their families or bringing them along to help pick.

Hortifrut, like other big fruit traders, grows a substantial amount of its own fruit - about two-thirds of its current sales - and works closely with other growers for the rest. It has its own laboratory and a research department working on new varieties and growing and shipping techniques.

Chilean fruit farmers have an advantage over other off-season competitors, such as New Zealand and South Africa, in that they benefit from relatively low land and labour costs.

The country's berry-growing regions stretch for 1,200km, from the central region around Santiago south to Puerto Montt. The range of temperatures and growing conditions and plantings of early and later-cropping varieties mean growers can supply fruit continuously from late November to April.

Once picked, the fruit has to be chilled immediately, and kept at 1°C or 2°C while it is

trucked from the packing station to the airport. All fresh fruit is air-freighted, and its after-harvest life is less than one week.

Getting 10,000 boxes a day from Santiago to a US airport is not that hard, Mr Moller says. But "no-one buys a truck load of berries. They buy maybe 60 or 70 boxes".

The tricky business is to sell and then deliver to hundreds of customers a day while the fruit is still in a good condition. Since berries are not a large-volume business, like grapes or bananas, there is no established distribution network; Hortifrut has had to set up its own organisation in the US and Europe.

However, the attention needed for relatively small volumes of fruit is what keeps out the competition. Big traders such as del Monte, Dole or Chiquita have all tried and failed, Mr Moller says, because they cannot work efficiently at such small volumes.

Berries account for only 2 per cent of Chile's total fresh fruit exports, which reached 150m boxes and \$1bn in sales last season. Hortifrut's sales were \$27m last season and 1.6m boxes.

One of Hortifrut's first steps when it set up 15 years ago was to form a joint marketing venture with a US berry producer in California.

Today the aim is to create a closer relationship, both in the US and with a European grower/shipper, to work on all aspects of the business from research and development to marketing and distribution, including a common brand name.

Meanwhile, Hortifrut is setting up production outside Chile, in the highlands of Mexico and in Guatemala, to improve supplies to the US market.

The company shipped 60,000 boxes, mostly blackberries, last

season and believes it can more than triple 1995-96 shipments. The idea is to be able to provide a steady supply to consumers throughout the off-season, and to avoid the current peaks and troughs.

Production from the central American region would provide fruit in October and November and in April, with Chile providing supplies from November through to April.

But, says Mr Moller, "you can't go into [the bush berry market] overnight and grow as fast as you like". Forming the workforce in the fields, in administration, sales and logistics, is not a question of money but of time, he adds. Hortifrut has financed most of its growth since its start-up out of cash flow.

The berry market has grown rapidly in the 15 years that Hortifrut has been in business. In the mid-1980s, Chile was exporting 400,000 boxes. By the beginning of the 1990s, it was well over 1m.

The demand is partly health-driven - raspberries, for example, are rich in an acid thought to be a cancer suppressant - while sales in Europe are partly regulation-driven: EU rules demand a higher proportion of real fruit in sauces and creams and yoghurts.

Like blueberries, cranberries are a new arrival in Chile, introduced only in the last 10 years, but they are relatively easy to propagate and grow, and are now going into full production, mainly for the US market. Two growers have taken the lead, and have already planted 600 hectares. It remains to be seen whether they have the necessary application to get the berries from the bushes to distant breakfast tables.

Siam Pulp and Paper buys 30% of Indonesian venture

By William Barnes in Bangkok

Siam Pulp and Paper PCL, an arm of the big Thai conglomerate Siam Cement, has bought 30 per cent of a \$1bn Indonesian pulp joint venture, its first overseas investment.

Thailand's biggest paper products company is seeking to diversify overseas and secure a pulp supply outside its depleted domestic base.

The Thai company will provide technical support and advice for its Indonesian partner PT Suryaraya Wahana, in building the pulp plant in East Kalimantan, which will be called PT Nitraya Prima.

Suryaraya Wahana, which will own 60 per cent of the venture, belongs to the PT Astra

International Group; local investors will hold the remaining 10 per cent. The plant, which start producing in 1999, will have an initial capacity of 350,000 tonnes a year.

Mr Chumpol Nalamleng, Siam Cement's president, said his group had to look overseas for pulp because Thailand's supply was limited by deforestation and government restrictions on tree felling.

"Indonesia has huge wood resources - bigger than the [Association of South East Asian Nations] region combined," Mr Chumpol said. "Clearly it is going to be cheaper to produce pulp in Indonesia for the foreseeable future."

Mr Francis Middlehurst, of

Crosby Securities in Bangkok, said the group needed to cut costs because it had increased capacity at a time when import tariffs were reduced and a lot of cheap paper entered the country.

"It's been tough - they've been forced to export more because of the competition and they need to increase capacity to achieve economies of scale," Mr Middlehurst said.

Siam's Thai pulp plant has been operating at full capacity of 285,000 tonnes a year, with all output taken by its own subsidiaries.

The pulp, paper and packaging business accounted for \$650m, or about 15 per cent, of the Siam Cement group's total sales in 1994.

Rogers plans to list on NYSE

By Bernard Simon in Toronto

Canada's broadcasters and cable TV operators are set to gain a wider exposure to international capital markets in the wake of a proposed relaxation of foreign ownership rules.

Rogers Communications, the country's biggest cable operator, yesterday began what is expected to become a trend with an announcement that it plans to list its non-voting Class B shares on the New York Stock Exchange.

Rogers said it was keen to gain wider attention from analysts at US investment banks and institutional investors.

The federal government announced plans late last year to bring foreign ownership rules for the broadcast and cable TV industries into line with the telecommunications sector.

The maximum foreign investment in a holding company will be raised from 25 per cent to 33.3 per cent, with no restrictions on foreign holdings of non-voting shares. In addition, foreign investors will be allowed to own up to 20 per cent of an individual radio or television station.

Rogers' cellular phone subsidiary, Rogers Cantel, which is subject to the telecommunications rules, also plans a

NYSE listing. Cantel is currently traded on the Nasdaq over-the-counter market.

Investors have until now placed lower values on Canadian cable TV companies than their US counterparts. Cable TV is a mature industry in Canada, with one of the highest levels of subscriber penetration in the world.

However, Mr John Henderson, analyst at ScotiaMcLeod in Toronto, said the cable operators' high-speed network could give them an edge over telephone companies in linking personal computers to the Internet. "They have the best network to compete," Mr Henderson said.

France aims to strengthen COB

By David Buchan in Paris

The French government yesterday announced a plan to reinforce the authority of the Commission des Opérations de Bourse to control Paris' financial markets, as part of draft legislation to introduce the European Union investment services directive to France.

Yesterday's cabinet meeting approved the draft bill, which after it has been approved by parliament will allow investment services companies based and regulated in other EU countries to operate freely


in the Paris markets.

France is one of several EU members which have failed to meet the January 1 deadline for implementation of the legislation. Mr Jean Arthuis, the finance minister, took comfort from this, claiming that "our two principal competitors and partners, Germany and the UK, are not in a more favourable situation than our own".

Under the new plan, the COB will be composed of a college of nine members, on the model introduced two years ago for the Bank of France's monetary policy council. Members will

be proposed by the National Assembly, the Senate and the Economic and Social Committee, and approved by France's president. The minutes of COB's deliberations will be made public.

Under the COB will be a new body, the Conseil des Marchés Financiers, the result of the merger of the Conseil des Bourses de Valeurs, which sets rules for the Paris equity market, and the Conseil des Marchés à Terme, which supervises the futures markets. The CMF will licence operators and set operating rules.



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Contact details will remain unchanged.

If you have any queries relating to above, please contact, Tim Jacob, Agency Department, Bank of America NT&SA, Box 407, Bank of America House, 1, Allie Street, London E1 8DE. Tel: 171 634 4688 Fax: 171 634 4700.

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COMPANY NEWS: UK

Bridon cut by tough US competition

By Patrick Harverson

Shares in Bridon fell 12 per cent yesterday after the wire and rope manufacturer announced that an unexpected downturn in its main markets would leave profits for 1995 short of the previous year's total.

In 1994 the Doncaster-based Bridon made £4.8m before exceptional, and analysts estimated that the group would make like-for-like profits of between £4m to £4.5m (£7m) in 1995.

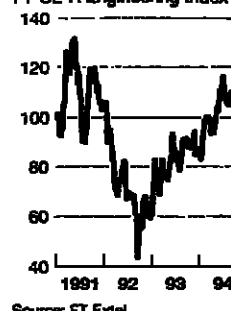
The shares closed down 14½p at 104½p. Despite the profits warning, Bridon, which is in the final stages of a substantial restructuring programme, said it would stick to its pledge to raise the final dividend 10 per cent from 1994's payment of 2.75p.

The group blamed the downturn on various factors, but said the worst damage was inflicted by an outbreak of tough price competition in the US baler twine market. Bridon's US subsidiary was forced to match price cuts of 10 per cent by its main competitor, costing the unit a total of \$1m.

Losses at Birkmyre, the group's non-core Australian textile business, also took their toll in the final quarter. Problems occurred there after the usual seasonal upturn in

Bridon

Share price relative to the FT-SE-A Engineering Index



Source: FT Data

demand failed to materialise because of the poor state of the Australian economy. Mr Ron Petersen, chief executive, said new management had been installed at the operation in an attempt to improve its performance, but the group remained committed to finding a buyer for Birkmyre once it had returned to profitability.

Delays in the completion of a large bridge contract in Norway, and deferral of deliveries of some crane rope and wire products from 1995 to 1996, were also cited as reasons for the slump in profits.

Additionally, Bridon said the benefits of its restructuring programme, which it had expected to enjoy in late 1995, would not now be evident until this year.

Weinberg joint venture acquires Lifetime's UK side

By Alison Smith, Investment Correspondent

Life Assurance Holding Corporation, the joint venture between New York Life Worldwide and Sir Mark Weinberg, a leading figure in the UK life industry, is taking over the UK business of Lifetime Assurance, part of the Bank of Ireland.

LAHC was set up just over a year ago to acquire books of life policies and manage their existing funds more efficiently. Although Sir Mark resists the term, it is a version of what is known in the sector as a "vulture life" operation.

The Lifetime Assurance deal is the first to be initiated and carried through since the joint venture came into effect.

Negotiations for the company's last purchase, of Crown Financial Management last February, began before the

link with Sir Mark was established.

The Lifetime book amounts to £70m (£108m) in funds from about 10,000 policyholders, mainly in Northern Ireland. At first LAHC is simply reinsuring the portfolio, but the administration will be transferred as soon as possible, probably later this year.

Mr John Wybrew, chief executive of LAHC, said that structuring the deal like this was the most effective way, given that the transaction was cross-border and that it was not the acquisition of an entire company but merely a branch of it.

He doubted that LAHC would have been interested in buying a company the size of Lifetime, but that this deal was "cleaner" than a full acquisition because LAHC was not having to take on offices or staff with the business.

He doubted that LAHC would have been interested in buying a company the size of Lifetime, but that this deal was "cleaner" than a full acquisition because LAHC was not having to take on offices or staff with the business.

No looking back following a shocking start

Powerscreen has a steady growth record although its method has raised questions. Tim Burt reports

The workforce at Powerscreen International can recall exactly the week that Mr Shay McKeown arrived at the Ulster company. Soon after he started going over the books, the Dungannon plant was firebombed by the IRA. "It was a terrible shock, but we've never looked back," says the former accountant who, as chief executive, claims to have transformed the business into the most profitable manufacturer in Northern Ireland.

In the 18 years since the attack, buoyant overseas demand for its stone crushing and recycling equipment has underpinned steady growth at Powerscreen, which is this month starting work on a new factory at Kibbegan in the Irish Republic.

The plant, Powerscreen's 10th, will be used to manufacture screening machines that sort and separate different grades of soil, sand and gravel from rubble and old landfill.

Despite the moribund state of the UK construction industry, sales of such equipment have risen sharply, helping Powerscreen's turnover to more than double in the past two years. Profits, meanwhile, have risen by roughly 20 per cent a year since 1987.

Mr McKeown predicts sales this year will exceed £260m (£385m), against £197m last

time and £22m in 1986, when Powerscreen came to the market. Analysts, moreover, expect pre-tax profits to rise from £29.1m to about £37m.

That all looks rosy. But the method behind Powerscreen's growth has raised questions about the group's working capital requirements.

Sales in the first half of the current financial year reached £121.1m, a relatively modest improvement on the £112.7m reported in the second half of last year. That £8.4m increase appears to have been financed after a £17.1m investment in working capital.

Taken against first half operating profits of £17.3m, the working capital contributed to a negative net cash position of £7.3m at the end of September.

The size of Powerscreen's working capital requirements points to a wider malaise among similar engineering companies. They have been forced to meet rising demand by investing heavily in increased capacity and stocks.

Although stock days at Powerscreen have fallen from 109 to 94 in the past year, the cost of producing such stock remains high, especially for machines costing £140,000 (£21,000 each).

There seems to be no shortage of finished crushing and



Shay McKeown: claims large stocks are vital if Powerscreen is to meet peak demand

screening machines at Powerscreen's Dungannon headquarters. The yard is full of muscular looking shredders and hoppers, bearing names such as Chief and Powergrid.

Mr McKeown, however, plays down working capital concerns. He claims large stocks are vital if Powerscreen is to meet peak demand in spring and autumn.

"You must have stock on the ground or you're going to lose sales. We would never dream of reducing inventories to

clean up the balance sheet - it would be cutting our own throat."

With operating margins at 14.3 per cent, he says the group has room to cover stock demands and invest in new products.

It can also offset working capital demands by capping labour costs at its Northern Ireland plants. While pay rates in Ulster are generally lower than mainland Britain, Powerscreen has further limited its costs by setting up a sub-

contract workforce. Under the system, all but 53 of Powerscreen's 450 workers at Dungannon are employed not by the company but by shopfloor gaffers. In return for a fee, these foremen oversee production lines and employ the staff which man them.

"They make a profit according to how effectively they run their operations," says Mr McKeown. "And it frees up management time for selling and product development."

The company has also sought to reduce its dependence on the cash hungry crushing and screening activities by expanding its presence in materials handling. That division is dominated by Matbro, the manufacturer of telescopic lifting machinery acquired in 1991 for £3.4m.

Matbro should contribute more than £3.4m in profits this year and is expected to enjoy the first benefits of a new contract with John Deere, the US tractor manufacturer. That contract promises to generate more than £50m of extra business over the next three years.

"We are trying to ensure that we are not dependent on any one market or customer," says Mr McKeown. He claims that mission, coupled to selective bolt-on acquisitions and a growing presence in North America and east Asia, will drive Powerscreen forward.

While laudable, the pursuit of volumes and market share may not be enough to guarantee rising profits and earnings per share. That will require a more rigorous approach to working capital and overheads. Powerscreen's chief executive, however, refuses to be diverted.

"Our working capital represents what is necessary to run this business. Of course it's going to go up, but so will profits."

Thomas Locker accuses investor over Pentre bid

By Tim Burt

Thomas Locker, the engineer, yesterday accused its largest single shareholder of attempting to scupper the proposed £7.5m (\$12m) takeover of Pentre, an industrial drums manufacturer.

The company said that Mr John Carr, a private investor who holds a 22.6 per cent stake, was wrong in claiming that the takeover overvalued Pentre and undervalued its own shares.

Mr David Barr, finance director, said the deal promised to increase the size of the business significantly, improve productivity and strengthen the board.

Mr Carr has urged shareholders to reject the acquisition and criticised a proposed 3-for-10 scrip issue of additional ordinaries, designed to compensate ordinary shareholders for the loss of voting rights.

He has also attacked a proposed boardroom change, in which Mr Philip Gartside and Mr Michael Seymour, chief executive and managing director respectively of Pentre, would assume the same roles at an enlarged Thomas Locker.

However, the company said Mr Carr wanted to install himself as deputy chairman and was trying to promote his own self interest by seeking an enhanced scrip issue. Barr.

The acquisition will be put to shareholders on January 10.

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Hultman options reap £1.2m

Mr Claes Hultman, chief executive of Eurotherm, yesterday made a paper profit of £1.18m (\$1.8m) by exercising share options in the industrial controls manufacturer.

Mr Hultman, who recently announced a 31 per cent rise in annual profits, exercised 304,090 shares worth £1.67m at the 550p closing price.

The Swedish businessman exercised 279,588 shares at 160.95p and 24,502 at 163.25p, giving rise to a notional gain of more than £1m. It also emerged that he has given his wife, Mrs Margot Hultman, a further 166,000 shares.

Mr Robert Biddle, finance director, said: "This is a good example of share options working as a reward for a top director." Under Mr Hultman Eurotherm's capitalisation had grown from £120m to more than £500m.

GA starts management reshuffle following purchase

By Ralph Atkins, Insurance Correspondent

General Accident, the composite insurer based in Perth, Scotland, has begun a revamp of its senior management by confirming Mr Bob Scott as chief executive succeeding Mr Nelson Robertson, who retired at the end of last year.

GA has yet to fill vacancies created by the death before Christmas of Mr Barrie Holder, however, a deputy chief executive. Announcements are not expected until the end of the month.

Mr Holder had responsibility for life operations, finance, investments and GA's estate agencies. Mr Holder, Mr Robertson and Mr Scott, previously deputy chief executive, formed a management triumvirate out of which only Mr Scott remains.

There had been speculation Mr Robertson might postpone his retirement pending the appointment of a new deputy chief executive or a reshuffle.

The shake-up follows GA's £170m (\$262m) acquisition late last year of Provident Mutual, the mutual life insurer. With

that deal expected to forehead further consolidation in the insurance sector, the allocation of senior management responsibilities is regarded as an opportunity for Mr Scott to set his stamp on GA's future strategy. Within GA, Mr Scott has been nicknamed "Hurricane Bob" because of his energetic management style.

GA pointed out that general managers had been promoted to head UK commercial and personal insurance operations, following Mr Scott's appointment as chief executive.

Dart Line takes over Vlissingen freight route

Jacobs Holdings' shipping subsidiary, Dart Line, has taken over operation of the Dartford to Vlissingen freight ferry route from Sally Line.

Jacobs has recruited Mr Simon Taylor, former managing director of Sally Line, to

become managing director of Dart Line and of Thames Europort, which runs the company's port facility at Dartford.

Mr Michael Kingshott, the founder of Sally Line, was appointed chief executive of Jacobs in May 1994.

Wanted: new management team

Rexam may attract unwelcome suitors, says Patrick Harverson

It should not be hard to guess the new year's resolution of management at the Knightsbridge headquarters of Rexam this week find a new chairman and chief executive, and quickly.

First, however, management at the printing and packaging group will be celebrating that a truly miserable 1995 is over.

Following a bright start, the second half turned disastrous in the space of a few months, as Rexam's shares lost almost 40 per cent of their value after the group issued two profits warnings in quick succession.

Reporting that conditions in its main markets had deteriorated unexpectedly rapidly, the group warned that 1995 profits would be about 50 per cent below 1994's total of £238m (\$348m) ending three years' of impressive profits growth.

The steep decline in its share price nearly cost Rexam - which last year changed its name from Bowater - its place in the FT-SE 100 index, and also left management and shareholders rattled.

Against this bleak background, finding a new management team to replace Mr Michael Woodhouse as chairman and Mr David Lyon as chief executive - both step down in June - has become an ever more urgent priority. Yet the search for their successors, which has already taken up more than a year of the group's time, is dragging on too long for some critics.

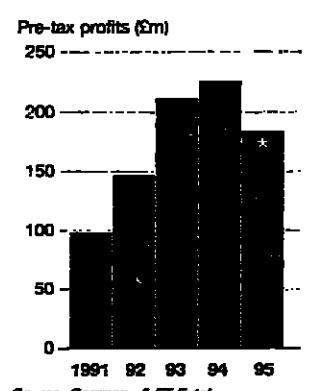
"I'm staggered that they haven't resolved the management issue yet," says a former senior executive, who believes the failure to fill the top two posts is hampering Rexam's ability to steer a safe course out of its current difficulties.

Mr Tony Willis, analyst at BZW, agrees. "It would be very disappointing and surprising if they didn't appoint a new chief executive and chairman in the next six weeks or so," he says.

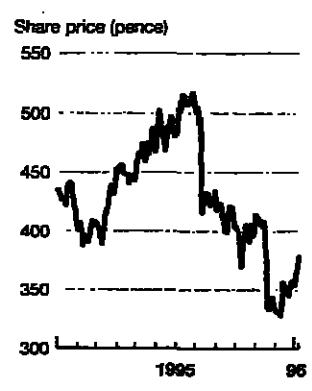
The current chairman, however, insists the wait will soon be over. "We're approaching the moment when it's time to make an announcement," said Mr Woodhouse this week.

Yet analysts warn that if Rexam does not make its deci-

New resolutions needed



Source: Company & FT Data



David Lyon, chief executive

sion soon, the group could become vulnerable to a hostile bid - takeover speculation yesterday lifted the shares 19p to 379p. Last month, after the shares had fallen from a summer high of 650p to 338p, analysts reported that rivals in the industry had begun to display an interest in Rexam, attracted by the possibility of buying it cheap. Although one of the possible rumoured bidders - Aluisse, the Swiss metals and packaging group - denied any interest in the UK company, the City still sees Rexam as an attractive target.

As one analyst explained: "They are particularly vulnerable. You have a company which was a stock market darling but which has announced two profits warnings in quick succession. It has a management in hiatus, and shareholders who are getting fed-up. If anyone was ever going to go for it, it would be now. It would be very hard for Rexam to put up a good defence."

Yet, as the critics admit, the blame for some of the problems at Rexam cannot be laid at the management's door. In the past six months, severe de-stocking by customers - reacting to an apparent peaking in commodity prices and slowing demand from consumers - has hurt packaging companies worldwide.

Yet the timing of the de-stocking-led fall in demand seemed to hit Rexam particularly hard because it affected areas - notably coated prod-

ucts - which had only recently been expanded. The result was that expensive purchases in North America acquired to improve the group's long-term growth prospects were suddenly performing poorly.

Moreover, critics used the de-stocking issue to attack the group for failing to realise earlier that customers would start to run down stocks once prices had peaked. They said it was an example of how a Rexam management strong on long-term corporate vision had lost touch with the market and its customers. As one rival executive in the industry noted: "In times of high volatility (in prices), unless you are absolutely on the ball you can come unstuck. And to be on the ball means having deep knowledge of what your customers and suppliers are doing, knowledge right at the very top of the company."

Rexam defends itself stoutly on this issue. After the most recent profits warning in November, Mr Lyon said: "I reject any suggestion that the directors are half asleep on the ninth floor of Bowater House watching the ducks and geese in Hyde Park."

The current management may be more vulnerable to questions about strategy, and in particular whether it has allowed the structure of the group, with its diverse interests in engineering, windows and other building materials, to become unwieldy.

For while Mr Lyon has been

applauded for expanding into higher margin businesses such as coated products and value-added packaging and printing sectors (such as food and drink, cosmetics and toiletries, and healthcare and pharmaceuticals), doubts have been raised over whether Rexam should still be operating in unrelated areas - notably in the German windows and Australian engineering businesses.

The latter operation is already up for sale, and it is increasingly likely that other extraneous parts of the business may also go. Although Rexam will not be drawn on the subject of disposals, Mr Woodhouse hints that non-core businesses may eventually be sold. He says: "The issue is whether, in order to expand our major businesses, we need to raise money by selling those [operations] that are not near to our main business."

These are questions which will have to be tackled by the new management team, says Ms Sonia Falaschi, analyst at UBS. "The most important issue is the appointment of the chief executive and chairman. The rest of it, through profit management, will eventually sort itself out," she believes.

However, Rexam could be overtaken by events if it does not make a move soon, warns Mr Willis of BZW. Referring to the recent takeover speculation, he says: "If they can't find a new management, maybe someone will find the new management for them."

This announcement appears as a matter of record only

HSBC Holdings plc

The holding company of one of the world's largest banking and financial services organizations through its wholly-owned subsidiary

Midland Bank plc

has acquired 6.14% of the ordinary share capital of



Banco Bamerindus do Brasil Sociedade Anônima

Curitiba, December 1995.

COMMODITIES AND AGRICULTURE

MARKET REPORT

London gold price jumps to highest for 8 1/2 months

The precious metals markets continued their climb out of the year-end trough yesterday when the O.T.C. price was fixed at an 8 1/2-month high.

The \$5.35-cent morning fixing was the highest since November 21.

Base metals clawed back some lost ground in after hours "kerb" trading on the London Metal Exchange.

Dairy profits thrive on home cooking, says machinery maker

Dairy farmers can save money and increase their profits by feeding their cows home-grown foods rather than buying manufactured pellets, according to Keenan, a farm machinery maker.

Mixing their own feeds in this way means farmers can tailor rations to the herd and the type of milk required.

Cows feed on the mixture at all times during the day rather than just in the parlour at milking time.

Indian aluminium group sees bright future

Kunal Bose reports on expansion and modernisation plans at Hindalco Industries

Hindalco Industries, India's second biggest aluminium group, is to explore the possibility of building a new aluminium complex.

550,000 tonnes. National Aluminium, the country's biggest aluminium group, has proposed the expansion of its smelting capacity to 345,000 tonnes from 230,000 tonnes.

control over the two major inputs needed for the production of aluminium, we are expanding the alumina refinery capacity by 100,000 tonnes to 450,000 tonnes and building two new coal-fired power units to step up the power generation capacity to 500MW.

Following the lowering of the import duty on alumina from 10 per cent, Indian manufacturers are under increased pressure to produce metal and rolled products of consistently high quality at the lowest possible cost.

Hindalco raised a total of \$200m in two tranches by selling global depositary receipts to participate in the modernisation and expansion programme.

Downbeat year forecast for commodity markets

The world commodity markets' bubble has burst, with forecasters who had been trumpeting rising prices in previous years now taking a decidedly downbeat view of the outlook for 1996.

substantially until it becomes clear that farmers have been encouraged to increase plantings to replenish world stocks.

Coffee stocks are exceptionally low in consuming countries and that could lead to tightness in the market in coming months.

GNI says that cocoa, which looked to be heading for a bull market three years ago, is now coming under pressure from large supplies from the Ivory Coast.

much prices rise because stocks are tight, but the broker expects demand to be stagnant or weak, leading to falling prices.

COMMODITIES PRICES

BASE METALS LONDON METAL EXCHANGE (Prices from Amalgamated Metal Trading)

Precious Metals continued GOLD COMEX (100 Troy oz; \$/troy oz)

GRAINS AND OIL SEEDS WHEAT LCE (€ per tonne)

SOFTS COCOA LCE (\$/tonne)

MEAT AND LIVESTOCK LIVE CATTLE CME (40,000kg; cents/lb)

PRECIOUS METALS LONDON BULLION MARKET (Prices supplied by N M Rothschild)

ENERGY CRUDE OIL NYMEX (42,000 US gals; \$/barrel)

SOYABEANS CRU (60,000bu; cents/bush)

COFFEE LCE (\$/tonne)

LONDON TRADED OPTIONS

UNLEADED GASOLINE NYMEX (42,000 US gals; \$/barrel)

POTATOES LCE (\$/tonne)

INDEXES

OTHER COMMODITIES

OTHER COMMODITIES

JOTTER PAD

CROSSWORD No.8,958 Set by HIGHLANDER

ACROSS 1 On waterway worked hard for ruthless taxmaster (6-8)

PLANET 88817

Handwritten signature or note at the bottom of the page.

INTERNATIONAL CAPITAL MARKETS

Treasuries retreat from session highs

By Lisa Bransten in New York and Antonia Sharpe in London

US Treasuries were mostly flat by midday yesterday as traders looked to Washington for news of budget negotiations...

30-year Treasury bond was up 1/8 at 112 1/2 to yield 5.955 per cent. While at the short end of the maturity spectrum the two-year note was 1/8 lower at 100 1/8, yielding 5.150 per cent.

UK gilts continued to weaken yesterday on political concerns. There were reports that international investors were looking to reduce their exposure to the market because of worries about the impact of political uncertainty on sterling.

GOVERNMENT BONDS

With gilts underperforming the rest of Europe, the spread over Germany widened to about 166 basis points on Tuesday, Mr Stuart Thompson, international economist at Nikko, expects the spread to reach 175 basis points before stabilising.

weakness in gilts is not justified. "The impact of politics has been overdone - the market has already discounted a Labour party victory and a Conservative minority government," he said.

said rate cuts were expected in France, Holland and Denmark. "Call money is slipping further in France," she said.

US trade in depositary receipts up by 37%

By Maggie Urry in New York

Trading in the US of depositary receipts, which represent the shares of non-US companies, reached record levels in 1995, according to figures from the Bank of New York and Citibank.

Volatility fall hits European volumes

By Richard Lapper

Lower volatility in financial markets last year, especially compared with the first half of 1994, led to a decline in volume of roughly 13 per cent on the London International Financial Futures and Options Exchange (LIFFE), Europe's largest derivatives exchange.

DERIVATIVE INSTRUMENTS

Europe's next two largest exchanges also saw lower turnover. On Matif, the Paris-based futures market, volumes contracted by 21.2 per cent to 71,099 lots, while on the Deutsche Terminbörse, the derivatives division of Frankfurt's Deutsche Börse, 58,189 contracts were traded, a drop of 1.7 per cent.

while volumes in the German 10-year bond future, the exchange's most popular contract, were down 13.67 per cent at 32,23m. Turnover of the FT-SE 100 Index future fell by 20.21 per cent to 3.37m.

Issuers in rush to start 1996 funding

By Corner Middelman

The eurobond market exploded into action yesterday as borrowers rushed to get 1996 funding programmes under way. DePis, the German public-sector lending institution, launched DM1bn of five-year

DM500m of six-year bonds. While the bonds yielded 16 basis points over the German government bond the September 2001 at the re-offer price, they yielded the same as the January 2002 Unity bond, which many players thought was too tight for an unrated, unknown issuer.

NEW INTERNATIONAL BOND ISSUES

Table with columns: Issuer, Amount, Coupon, Price, Maturity, Fees, Spread, Book runner. Lists various international bond issues from SCAT-1 to various European and Asian issuers.

reduction money freed when a DM250m Abbey National offering matures in February. The US dollar sector also saw a slew of short-dated retail-targeted deals, most of which were tightly priced - albeit in line with outstanding bonds issued late last year.

High-yielding countries top bond league table

By Antonia Sharpe

Europe's high-yielding government bond markets, notably Spain and Sweden - provided the best returns in local currency terms in December, of 0.52 per cent and 1.21 per cent respectively.

per cent in the J.P. Morgan global bond index and 1.56 per cent in the European bond index. New Zealand and Japan were the only markets which posted negative returns in December, of 0.52 per cent and 1.21 per cent respectively.

WORLD BOND PRICES

Table with columns: Country, Coupon, Maturity, Price, Yield, Week ago, Month ago. Lists benchmark government bonds for Australia, Austria, Belgium, Canada, Denmark, France, Germany, Greece, Hong Kong, India, Italy, Japan, Korea, Luxembourg, Netherlands, Norway, Portugal, Spain, Sweden, UK, US Treasury, ECU, and London clearing.

BOND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Table with columns: Strike, Price, Feb, Mar, Apr, May, Jun, Jul, Aug, Sep, Oct, Nov, Dec. Lists futures options for various countries.

NOTIONAL ITALIAN GOVT. BOND (FTF) FUTURES (LIFFE) Lira 200m 100ths of 100%

Table with columns: Mar, Open, Settle, Change, High, Low, Est. vol, Open int. Lists Italian government bond futures.

NOTIONAL ITALIAN GOVT. BOND (FTF) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Table with columns: Strike, Price, Feb, Mar, Apr, May, Jun, Jul, Aug, Sep, Oct, Nov, Dec. Lists Italian government bond futures options.

NOTIONAL SPANISH BOND FUTURES (MEFF)

Table with columns: Mar, Open, Settle, Change, High, Low, Est. vol, Open int. Lists Spanish bond futures.

NOTIONAL UK GILT FUTURES (LIFFE) £50,000 32nds of 100%

Table with columns: Mar, Open, Settle, Change, High, Low, Est. vol, Open int. Lists UK gilt futures.

NOTIONAL GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Table with columns: Strike, Price, Feb, Mar, Apr, May, Jun, Jul, Aug, Sep, Oct, Nov, Dec. Lists UK gilt futures options.

NOTIONAL GERMAN BOND FUTURES (LIFFE) DM250,000 100ths of 100%

Table with columns: Mar, Open, Settle, Change, High, Low, Est. vol, Open int. Lists German bond futures.

NOTIONAL US TREASURY BOND FUTURES (CBT) \$100,000 32nds of 100%

Table with columns: Mar, Open, Settle, Change, High, Low, Est. vol, Open int. Lists US Treasury bond futures.

NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) ¥100m 100ths of 100%

Table with columns: Mar, Open, Settle, Change, High, Low, Est. vol, Open int. Lists Japanese government bond futures.

OTHER FIXED INTEREST

Table with columns: Issue, Yield, Price, 52-week, 52-week. Lists various fixed interest instruments.

FT-ACTUARIES FIXED INTEREST INDICES

Table with columns: Index, Price, Feb, Mar, Apr, May, Jun, Jul, Aug, Sep, Oct, Nov, Dec. Lists fixed interest indices.

FT FIXED INTEREST INDICES

Table with columns: Index, Price, Feb, Mar, Apr, May, Jun, Jul, Aug, Sep, Oct, Nov, Dec. Lists fixed interest indices.

FT/ISMA INTERNATIONAL BOND SERVICE

Table with columns: Issued, Bid, Offer, Chg, Yield. Lists international bond service data.

GILT EDGED ACTIVITY INDICES

Table with columns: Index, Price, Feb, Mar, Apr, May, Jun, Jul, Aug, Sep, Oct, Nov, Dec. Lists gilt edged activity indices.

FLOATING RATE NOTES

Table with columns: Issued, Bid, Offer, Chg, Yield. Lists floating rate notes.

CONVERTIBLE BONDS

Table with columns: Issued, Bid, Offer, Chg, Yield. Lists convertible bonds.

US INTEREST RATES

Table with columns: Term, Rate, 12-month, 24-month, 36-month, 48-month, 60-month. Lists US interest rates.

BOND FUTURES AND OPTIONS

France

NOTIONAL FRENCH BOND FUTURES (MATIF) FF50,000

NOTIONAL FRENCH BOND FUTURES (MATIF) FF50,000

NOTIONAL FRENCH BOND FUTURES (MATIF) FF50,000

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CURRENCIES AND MONEY

MARKETS REPORT

Dollar and high-yielders continue to advance

By Philip Gowth

The early currency themes of 1996 were reinforced yesterday with the dollar making further advances against the yen and the D-Mark, while the German currency slipped back in Europe.

In the absence of official economic data in the US, and no deal on the budget, dollar optimism has more to do with developments in Europe and Japan. Whatever the reasons, the dollar was able to rise to its highest level in around four months against the yen, before closing in London at Y104.365, from Y103.955. It is within sight of Y104.700, the 1995 high. It was also firmer against the generally weaker D-Mark, gaining half a penny to close at DM1.4403, from DM1.4347.

In Europe, currencies like the French franc, Spanish peseta and Swedish krona made further advances against the D-Mark. The franc rose to an 18 month high of FFFr40.75,

before finishing at FFFr41.3, from FFFr41.4. The krona closed at SKr4.579, from SKr4.617. The lira closed at L1.083, after reaching an intraday high of L1.0833. The D-Mark rallied off its lows amid market rumours that central banks in Italy, France, Spain and Portugal were taking advantage of domestic currency strength to rebuild their D-Mark reserves. After falling overnight against the D-Mark, sterling gained more than a penny to reach DM2.2380 during New York trading, compared to a London close on Tuesday of DM2.2335. It lost half a cent against the dollar, finishing at \$1.5511, from \$1.5568.

The strength of the high-yielder

As it passed in New York, the high-yielder continued to advance against the dollar, with the D-Mark slipping back in Europe. The high-yielder continued to advance against the dollar, with the D-Mark slipping back in Europe.

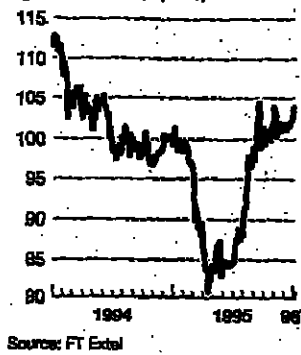
yielding currencies, notwithstanding fragile politics in countries like Italy, France and Spain, reflects the view that in the absence of much currency volatility, and apparent D-Mark weakness, it is a safe bet to invest in markets offering better returns.

Mr Avinash Persaud, currency strategist at JP Morgan in London, said recent evidence of economic weakness in the US, such as the purchasing manager's report released earlier this week, would offer further support to the high-yielder. He said evidence which indicated that the US may cut rates again would support a similar move in Germany, where the economy is widely seen to be suffering from an overvalued currency.

"This would remove the main obstacle to buying the high-yielder, which is the fear that Germany may raise rates again," said Mr Persaud. Mr Persaud said it was "very dangerous to bet against this

Dollar

Against the Yen (¥ per \$)



Source: FT Intel

that the French franc could run into trouble later in the year.

One of the early, if familiar, themes to emerge in 1996 concerns Japanese capital flows. Amid yen weakness, low Japanese interest rates, and the perceived need of Japanese investors to boost returns, there is much speculation about where they will put their money. Recent strength in the Canadian and Australian dollars has been attributed to the expectation of Japanese capital flows.

Ms Patricia Elbez, technical analyst at MMS in London, says the next target for the dollar is Y105.5, the June 1994 peak, with the medium term objective of Y110.

But Mr Turner said he was suspicious about the durability of the dollar's current rally against the yen, saying that a large part of it could be attributed to seasonal factors which might well reverse in

February/March

Further out, the dollar may receive support from Japanese economic recovery which would pull in imports, crimping the trade surplus and encouraging capital outflows - all dollar positive. But Mr Turner said a turnaround in the Japanese economy could also bring with it the expectation of higher interest rates. If Japan leads other industrial countries in tightening policy, this could attract renewed capital flows back into Japan, boosting the yen.

Recent moves in the European contracts show that the market has already started to price in some tightening in interest rates - which was not the case only a few weeks ago.

OTHER CURRENCIES

Table with columns for currency, Jan 3, Jan 2, and % change. Includes currencies like Swiss Franc, Canadian Dollar, etc.

POUND SPOT FORWARD AGAINST THE POUND

Table showing Pound Spot Forward rates for various currencies (Austria, Belgium, Denmark, etc.) with columns for Jan 3, Closing mid-point, Change on day, etc.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Table showing Dollar Spot Forward rates for various currencies (Austria, Belgium, Denmark, etc.) with columns for Jan 3, Closing mid-point, Change on day, etc.

GROSS RATES AND DERIVATIVES

Table showing Gross Rates and Derivatives for various currencies (Belgium, Denmark, Germany, etc.) with columns for Jan 3, Bid, Ask, etc.

UK INTEREST RATES

Table showing UK Interest Rates for London Money Rates and UK clearing bank base lending rates.

EUROPEAN CURRENCY UNIT RATES

Table showing European Currency Unit Rates for various currencies (Spain, Netherlands, Australia, etc.) with columns for Jan 3, Rate, etc.

PHILADELPHIA RE 2/8 OPTIIONS

Table showing Philadelphia RE 2/8 Options for various currencies (Swiss, Japanese Yen, etc.) with columns for Price, etc.

WORLD INTEREST RATES

MONEY RATES

Table showing World Interest Rates - Money Rates for various countries (Belgium, France, Germany, etc.) with columns for Jan 3, One night, etc.

EURO CURRENCY INTEREST RATES

Table showing Euro Currency Interest Rates for various currencies (Belgium, Denmark, D-Mark, etc.) with columns for Jan 3, Short, etc.

THREE MONTH EUROMARK FUTURES

Table showing Three Month Euromark Futures for various currencies (Mar, Jun, Sep, Dec) with columns for Open, Settle, etc.

THREE MONTH EURO DOLLAR FUTURES

Table showing Three Month Euro Dollar Futures for various currencies (Mar, Jun, Sep, Dec) with columns for Open, Settle, etc.

EURO DOLLAR OPTIONS

Table showing Euro Dollar Options for various currencies (Mar, Jun, Sep) with columns for Price, etc.

EXCHANGE CROSS RATES

Table showing Exchange Cross Rates for various currencies (Belgium, Denmark, Germany, etc.) with columns for Jan 3, Bid, Ask, etc.

JAPANESE YEN FUTURES

Table showing Japanese Yen Futures for various currencies (Mar, Jun, Sep) with columns for Open, Settle, etc.

STERLING FUTURES

Table showing Sterling Futures for various currencies (Mar, Jun, Sep) with columns for Open, Settle, etc.

NON ERM MEMBERS

Table showing Non ERM Members for various currencies (Italy, UK) with columns for Rate, etc.

THREE MONTH EURO DOLLAR

Table showing Three Month Euro Dollar for various currencies (Mar, Jun, Sep) with columns for Open, Settle, etc.

US TREASURY BILL FUTURES

Table showing US Treasury Bill Futures for various currencies (Mar, Jun, Sep) with columns for Open, Settle, etc.

BASE LENDING RATES

Table showing Base Lending Rates for various banks (Adam & Company, Allied Trust Bank, etc.) with columns for Rate, etc.

MEMBERS OF LONDON ASSOCIATION

Table showing Members of London Association for various banks (Barclays Bank, etc.) with columns for Name, etc.

EURO DOLLAR OPTIONS

Table showing Euro Dollar Options for various currencies (Mar, Jun, Sep) with columns for Price, etc.

SOVEREIGN (FOREX) LIMITED

Table showing Sovereign (Forex) Limited for various currencies (Mar, Jun, Sep) with columns for Price, etc.

Advertisement for FT Guide to World Currencies, published in Monday's newspaper and covering over 200 currencies.

Advertisement for FAST 64 KBIT SATELLITE TECHNOLOGY, offering complete real-time data of the US and European exchanges.

Advertisement for FUTURES & OPTIONS TRADING, clearing and execution service 24 hours.

Advertisement for UNION, offering a wide range of financial services.

Advertisement for BERKELEY FUTURES LIMITED, offering a wide range of financial services.

Advertisement for MARKET-EYE, offering affordable real-time equities, futures, options and news.

Advertisement for 24HR FOREX, offering 24-hour foreign exchange services.

Advertisement for TREND ANALYSIS LTD, offering daily analysis and trading recommendations.

Advertisement for SOVEREIGN (FOREX) LIMITED, offering 24-hour margin trading facility.

Advertisement for DIVIDEND NOTICE, offering Agnico-Eagle Mines Limited dividend.

Advertisement for The Top Opportunities Section, offering advertising positions to Europe's business readership.

Advertisement for FT CITYLINE, offering Asian Financial Reports.

Advertisement for 24HR FOREX, offering 24-hour foreign exchange services.

Advertisement for SOVEREIGN (FOREX) LIMITED, offering 24-hour margin trading facility.

LONDON SHARE SERVICE

IRV TRUSTS SPLIT CAPITAL - Cont.

Table listing various trusts and their financial details, including names like 'The British Trustee' and 'The Commercial Union Assurance Co. Ltd.'.

LEISURE & HOTELS - Cont.

Table listing leisure and hotel companies such as 'The Rank Group' and 'The Travelodge Group'.

OTHER FINANCIAL - Cont.

Table listing other financial institutions and services.

PROPERTY - Cont.

Table listing property-related companies and services.

SUPPORT SERVICES - Cont.

Table listing support service companies.

AM - Cont.

Table listing American companies.

OTHER INVESTMENT TRUSTS

Table listing other investment trusts.

LIFE ASSURANCE

Table listing life assurance companies.

PAPER, PACKAGING & PRINTING

Table listing paper, packaging, and printing companies.

RETAILERS, FOOD

Table listing food retailers.

RETAILERS, GENERAL

Table listing general retailers.

TELECOMMUNICATIONS

Table listing telecommunications companies.

INVESTMENT COMPANIES

Table listing investment companies.

OIL EXPLORATION & PRODUCTION

Table listing oil exploration and production companies.

PHARMACEUTICALS

Table listing pharmaceutical companies.

RETAILERS, GENERAL - Cont.

Table listing general retailers (continued).

TOBACCO

Table listing tobacco companies.

TRANSPORT

Table listing transport companies.

LEISURE & HOTELS

Table listing leisure and hotel companies.

OIL, INTEGRATED

Table listing integrated oil companies.

PROPERTY

Table listing property companies.

SUPPORT SERVICES

Table listing support service companies.

WATER

Table listing water companies.

AM

Table listing American companies.

Advertisement for MAPPIN & WEBB featuring a Rolex watch. Text includes 'MAPPIN & WEBB', 'Rolex Oyster Perpetual', 'Champagne-proof to 330 feet.', and 'ROLEX' logo.

Table titled 'AMERICANS', 'CANADIANS', and 'SOUTH AFRICANS' listing various companies and their financial data.

GUIDE TO LONDON SHARE SERVICE

Price for the London Share Service... This service is available to companies... Details regarding the service and its terms.

Handwritten text in Arabic script: 'صكنا من الاصل'

FT MANAGED FUNDS SERVICE

FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 879 4978 for more details.

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Table listing Bermuda funds including Royal Bank of Canada US Fd Mgmt Ltd, Royal Bank of Canada Fd Mgmt Ltd, and various international and equity funds.

BERMUDA (REGULATED)**

Table listing regulated Bermuda funds such as Royal Bank of Canada Fd Mgmt Ltd, Royal Bank of Canada US Fd Mgmt Ltd, and various international and equity funds.

GUERNSEY (SIB RECOGNISED)

Table listing Guernsey funds including Royal Bank of Canada US Fd Mgmt Ltd, Royal Bank of Canada Fd Mgmt Ltd, and various international and equity funds.

IRELAND (SIB RECOGNISED)

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GUERNSEY (REGULATED)**

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IRELAND (REGULATED)**

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ISLE OF MAN (SIB RECOGNISED)

Table listing Isle of Man funds including Royal Bank of Canada US Fd Mgmt Ltd, Royal Bank of Canada Fd Mgmt Ltd, and various international and equity funds.

ISLE OF MAN (REGULATED)**

Table listing regulated Isle of Man funds such as Royal Bank of Canada Fd Mgmt Ltd, Royal Bank of Canada US Fd Mgmt Ltd, and various international and equity funds.

JERSEY (SIB RECOGNISED)

Table listing Jersey funds including Royal Bank of Canada US Fd Mgmt Ltd, Royal Bank of Canada Fd Mgmt Ltd, and various international and equity funds.

JERSEY (REGULATED)**

Table listing regulated Jersey funds such as Royal Bank of Canada Fd Mgmt Ltd, Royal Bank of Canada US Fd Mgmt Ltd, and various international and equity funds.

LUXEMBOURG (SIB RECOGNISED)

Table listing Luxembourg funds including Royal Bank of Canada US Fd Mgmt Ltd, Royal Bank of Canada Fd Mgmt Ltd, and various international and equity funds.

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FT MANAGED FUNDS SERVICE

FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

Table of fund prices and performance metrics, including columns for fund name, price, and change.

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OTHER OFFSHORE FUNDS

OFFSHORE INSURANCES

MANAGED FUNDS NOTES: Please refer to notes on pages 19 and 20 for more information on the FT Cityline Managed Funds Service.

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LONDON STOCK EXCHANGE

MARKET REPORT

Bid hopes and Wall St drive Footsie to new record

By Steve Thompson, UK Stock Market Editor

London's equity market was one of a host of European markets to hit all-time highs yesterday, with the two main indices, the FT-SE 100 and the FT-SE Actuaries All-Share index both recording new peaks.

gains in London came from Wall Street, where the Dow Jones Industrial Average, after surging over 60 points on Tuesday evening, raced ahead again at the outset of trading yesterday, breaking through the 5,200 level.

ker. Among the rumoured bid targets are Asda, GRE, Sedgwick, Rexam and Aberdeen Trust, he said. And HSBC was rumoured to be about to acquire on the larger UK building societies.

the US budget wrangle would soon be resolved, ensured a strong opening for London. The market's concerns on Tuesday over the possibility that the Conservative Government might be forced into a premature general election this year began to fade into the background, as dealers focused instead on the potential positives of such an event.

could unsettle gilts, which would restrain enthusiasm for equities. Footsie powered through the 3,700 level at the outset of trading and was always comfortably above that level throughout a busy session, which saw turnover at 6pm reach an impressive 734.6m shares, well ahead of Tuesday's 450.5m. Dealers had expected trading this week to be restricted by low attendances.

At its best, shortly after Wall Street opened for business, the FT-SE 100 reached a peak of 3,719.8, before falling back on profit-taking.

Granada 'to raise Forte bid'

The late afternoon rumour mill settled on Granada Group as word went round the market that it was lining up an improved offer for its bid target Forte which may come as early as today.

lowing the late afternoon rumour to close 7 1/2 ahead at 649 1/2p, in trade of 2.6m. A two-way pull in Forte left the shares unchanged at 343p, though heavy dealing brought volume to 2m by the close.

There are also concerns that a general election might be closer than previously forecast in the light of the most recent defection from the Conservative party. The selling was exacerbated by one marketmaker trying to unwind a surplus of stock and fund managers taking early asset allocation decisions.

Other telecom stocks were less fortunate. The nervousness surrounding the latest subscriber figures from Vodafone and Cellnet still overhang the market. Vodafone fell 5 to 221p. BT, the majority owner of Cellnet, dropped 2 to 350p.

Wall Street's spectacular gain overnight, in response to a wave of New Year buying and hopes that a potential takeover candidate, improved 16 to 577p. And Cable & Wireless avoided the nervousness in the telecoms market to improve 2 to 483p.

At its best, shortly after Wall Street opened for business, the FT-SE 100 reached a peak of 3,719.8, before falling back on profit-taking.

Waters slushy

Water stocks damped down the broad market's rise as they fell on a combination of political and regulatory worries. Dealers said the latest pressure from the regulator was combined with some bad press over the latest spate of burst water mains.

ABN Amro Hoare Govett stressed its sell stance on Thames Water, off 5 at 549p. United Utilities, off 15 at 594p, Wessex, off a penny at 359p and South West, off 5 at 516p. Takeover speculation in Royal Bank of Scotland ensured that the shares managed to avoid the impact of a downgrade from Morgan Stanley. The stock rose 3 to 589p.

Other drugs stocks were easier as BZW, the investment bank, put out a piece of research arguing that the sector was overvalued. Glaxo Wellcome fell 2 to 802p. The company was highlighted by Lehman Brothers because its anti-ulcer treatment drug Zan-

trading volume. The FT-SE 100 rose 12.5 to 3,719.8. The FT-SE 250 rose 12.5 to 1,841.4. The FT-SE All-Share rose 12.5 to 3,719.8.

Best performing sectors: 1 Life Assurance +2.0, 2 Chemicals +2.1, 3 Banks, Retail +1.9, 4 Paper, Pkg & Print +1.5, 5 Bldg. & Construction +1.5.

Worst performing sectors: 1 Water -0.7, 2 Telecommunications -0.5, 3 Electronic & Elect. -0.7, 4 Exports -0.7, 5 Utilities -0.4.

FINANCIAL TIMES EQUITY INDICES

Table with columns for indices (FT-SE 100, FT-SE 250, FT-SE All-Share) and their values for Jan 3, Jan 2, Dec 29, Dec 28, Dec 27, Yr ago, High, Low.

LONDON RECENT ISSUES: EQUITIES

Table listing recent equity issues with columns for issue name, price, and other details.

TRADING VOLUME

Table showing trading volume for major stocks yesterday.

FT GOLD MINES INDEX

Table showing the FT Gold Mines Index with columns for index value and components.

FT-SE ACTUARIES SHARE INDICES

Table showing FT-SE Actuaries Share Indices with columns for index value and components.

THE UK SERIES

Table showing The UK Series with columns for index value and components.

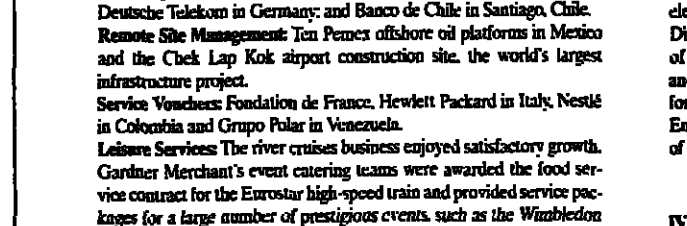
A Successful Alliance

The Board of Directors of SODEXHO met under the chairmanship of Pierre BELLON to close the accounts for the year ended August 31, 1995.

GENERAL INFORMATION

In nine months, major strides have been made in building the alliance. A great deal of synergy and cross fertilization has been developed in the areas of human resources, marketing and information systems.

REVENUES BY GEOGRAPHIC AREA



FINANCIAL RESULTS

Revenues increased by 63.3% over the year to FRF 18,348,038,000. Broken down as follows:

- Consolidation of Gardner Merchant (7 months) 54.0%
Sodexo - Internal growth 11.4%
Acquisitions excluding Gardner Merchant 2.9%
Currency effect -1.0%

REVENUES BY BUSINESS ACTIVITY



III - BOARD OF DIRECTORS

To enhance the role of the Board of Directors, Pierre BELLON will ask shareholders at their February 13, 1996 Annual Meeting to approve an increase in the number of directors from 12 to 15.

IV - OUTLOOK

The Board of Directors approved the finalization of Sodexo's acquisition of a minority equity interest in PARTENA, Sweden's leading contract services company.

All of our businesses enjoy strong potential for growth. Our independence, our global reach, the quality of our teams, and our excellent financial position all provide us with important competitive advantages.

Sodexo Contract Food and Management Services

For further information, please contact: Raphaël Dubrule, Corporate Secretary - (33-1) 30 85 74 74

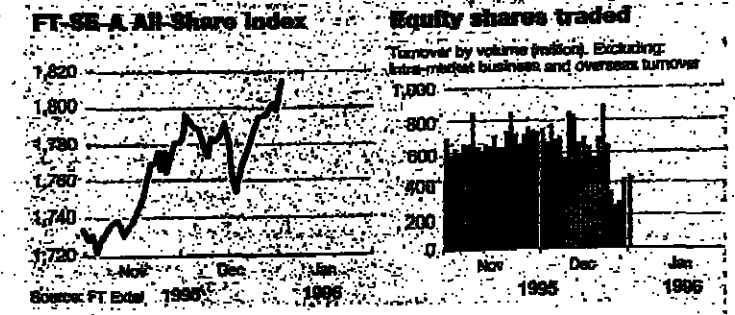


Table with columns for indices (FT-SE 100, FT-SE 250, FT-SE All-Share) and their values for Jan 3, Jan 2, Dec 29, Dec 28, Dec 27, Yr ago, High, Low.

FUTURES AND OPTIONS

Table showing FT-SE 100 Index Futures (LFFB) and FT-SE 250 Index Futures (LFFB) with columns for price, change, and other details.

FT-SE 100 INDEX FUTURES (LFFB) C10 per full index point

Table showing FT-SE 100 Index Futures (LFFB) C10 per full index point with columns for price, change, and other details.

FT-SE 250 INDEX FUTURES (LFFB) C10 per full index point

Table showing FT-SE 250 Index Futures (LFFB) C10 per full index point with columns for price, change, and other details.

FT-SE 100 INDEX OPTIONS (LFFB) C10 per full index point

Table showing FT-SE 100 Index Options (LFFB) C10 per full index point with columns for price, change, and other details.

FT-SE 250 INDEX OPTIONS (LFFB) C10 per full index point

Table showing FT-SE 250 Index Options (LFFB) C10 per full index point with columns for price, change, and other details.

FT-SE ACTUARIES ALL-SHARE

Table showing FT-SE Actuaries All-Share with columns for price, change, and other details.

HOURLY MOVEMENTS

Table showing hourly movements for FT-SE 100, FT-SE 250, and FT-SE All-Share.

FT-SE ACTUARIES 350 INDUSTRY BASKETS

Table showing FT-SE Actuaries 350 Industry Baskets with columns for price, change, and other details.

ADDITIONAL INFORMATION

Additional information on the FT-SE Actuaries Share Indices is published in Statutory News. Lists of constituents are available from the Financial Times.

THE FINANCIAL TIMES PLANS TO PUBLISH A SURVEY ON

Franchising

on Tuesday, March 12th.

This survey will focus on areas such as research for potential franchises, explores sources of funding available and highlights the specialist help available.

For more information, please contact Lesley Sumner

Tel: +44 (0) 171 873 3308 Fax: +44 (0) 171 873 3064

FT Surveys

Based on trading volume for a selection of major equities dealt through the SEAI system.

سكدا من الراجحي

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

Main table containing stock prices for various companies, organized in columns with headers for stock name, price, and change. Includes sub-sections like 'NEW YORK STOCK EXCHANGE' and 'NASDAQ'.

BE OUR GUEST. JOLLY HOTEL DU GRAND SABLOU BRUSSELS. When you stay with us in BRUSSELS stay in touch with your complimentary copy of the FINANCIAL TIMES.

Continued on next page

NYSE COMPOSITE PRICES

Table of NYSE Composite Prices, 4 pm close January 3. Columns include Stock, Div, % Chg, High, Low, Close, and various market indicators.

NASDAQ NATIONAL MARKET

Table of NASDAQ National Market, 4 pm close January 3. Columns include Stock, Div, % Chg, High, Low, Close, and various market indicators.

AMEX COMPOSITE PRICES

Table of AMEX Composite Prices, 4 pm close January 3. Columns include Stock, Div, % Chg, High, Low, Close, and various market indicators.

Advertisement for 'Belgium' featuring the text 'Have your FT hand delivered in Belgium' and 'Gain the edge over your competitors by having the Financial Times delivered to your home or office every working day.'

Continuation of NASDAQ National Market data, 4 pm close January 3. Columns include Stock, Div, % Chg, High, Low, Close, and various market indicators.

AMERICA

Dow through 5,200, tech stocks retreat

Wall Street

US share prices were mixed in midday trading yesterday as technology stocks in the Nasdaq composite gave back some of Tuesday's gains while the Standard and Poor's 500 took aim at a new record high close, writes Lisa Brunsten in New York.

mostly weaker as semiconductor companies continued to slide from the highs reached in the early autumn. The Nasdaq composite fell 7.09 to 1,061.56 and the Pacific Stock Exchange index of technology companies shed more than 1 per cent.

Canada

Toronto continued to drive ahead in midday trade after Tuesday's record close. The TSX-300 composite index was 29.78 higher by noon at 4,870.67, volume picked up to 40.2m.

EUROPE

Data ignored as several bourses peak

Wall Street, D-Mark weakness and New Year buying took several bourses to all time highs, writes Our Markets Staff. Traders seemed willing to ignore bad macroeconomic news, including disappointing German industrial output and engineering orders, and poor car registration figures from France and Belgium.

the session and peaked at 2,335.53 after hours before closing 18.48 higher at 2,326.18. Turnover more than doubled, from DM4.9bn to DM11bn, with Daimler and Siemens trading in DM1.22bn, and DM1.11bn respectively.

FT-SE Actuaries Share Indices

Table with columns: Hourly changes, Open, 10.30, 11.00, 12.00, 13.00, 14.00, 15.00, Close. Rows include FT-SE Europe 100, FT-SE Europe 200, FT-SE Europe 300, FT-SE Europe 400, FT-SE Europe 500, FT-SE Europe 600, FT-SE Europe 700, FT-SE Europe 800, FT-SE Europe 900, FT-SE Europe 1000.

seen from Philips, up F12.10 at F161.50. Unilever with a rise of F12.70 at F1231.50 and Royal Dutch up F12.00 at F1237.50. Heineken made F13.10 to F1293.90 as dealers said that the stock was undervalued.

One of the most active issues was Electrabel, the energy utility, which advanced BFr120 to BFr7.350 in turnover of BFr445m. In chemicals Solvay rose BFr235 to BFr16.875.

through the 330 barrier before the general index subsided to and 2.98 higher at a new all time high of 338.01, propelled by the strength of bonds, and the peseta. DUBLIN held more of its gains, the ISEQ overall index closing 35.84 higher at a new peak of 2,270.45.

Latin America in strong rally

Mexico's stock market broke through the 3,000-point level for the first time in its history during the morning, before being brought back by midsession. The IPC index was up 86.02 or 2.2 per cent at 3,965.65.

Argentina, up 8.1 per cent, Transportadora Gas del Sur, a gas distributor, up 6.8 per cent and YPF, the oil group, up 6.7 per cent.

SAO PAULO was not out of the region's advance. At the opening the Bovespa index jumped 5 per cent with Telebras, the telecom group, spearheading the rise.

ASIA PACIFIC

Region propelled by surge on Wall Street

Wall Street's overnight surge propelled regional markets higher in the continuing absence of Tokyo and with Taipei also closed for a public holiday.

HONG KONG jumped 1.9 per cent to a 22-month closing high, with brokers pointing to a renewed funds inflow at the start of the year pushing most major issues higher.

day's 137.9m. BANGKOK leapt 3.3 per cent also backing the theory that the Bank of Thailand may cut interest rates.

positive index jumped 52.77 or 2.05 per cent to 2,631.74 in 1,770m shares worth 1.770m pesos.

securities rules governing the issues, which brokers said would help to regulate the B market. Shanghai's B index rose 0.555 or 1.1 per cent to 49.227 while Shenzhen B index picked up 0.83 or 1.4 per cent to 59.80.

EMERGING MARKETS: IFC WEEKLY INVESTABLE PRICE INDICES

Table with columns: Market, No. of stocks, Dollar terms (Dec 29 1995, % Change over week, Dec 24 '94), Local currency terms (Dec 29 1995, % Change over week, Dec 24 '94). Rows include Latin America, Argentina, Brazil, Chile, Colombia, Mexico, Peru, Venezuela, Asia, China, South Korea, Philippines, Taiwan, China, India, Indonesia, Malaysia, Pakistan, Sri Lanka, Thailand, Euro/Mid East, Greece, Hungary, Jordan, Poland, Portugal, South Africa, Turkey, Zimbabwe, Composite.

Overseas institutions purchased a record amount of South African stocks and bonds in 1995, worth R4.68bn (\$1.84bn), Reuters reports from Johannesburg. The stock exchange said yesterday that foreign investors had bought R4.51bn worth of shares and R1.87bn worth of bonds, compared with a respective R1.85bn and R1.10bn in 1994.

SYDNEY's enthusiasm took turnover back to pre-Christmas levels as the All Ordinaries index rose 31.7 to 2263.1. Traders reported share price rises across the board as total volume hit 205.8m shares valued at A\$517.35m.

SINGAPORE saw renewed local and foreign demand for industrials, banks and property stocks which pushed the market 2.1 per cent up to its best level since November 1994.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by The Financial Times Ltd., Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by The Financial Times and Goldman Sachs in conjunction with the Institute of Actuaries and the Faculty of Actuaries, NatWest Securities Ltd. was a co-founder of the indices.

Table with columns: NATIONAL AND REGIONAL MARKETS, US, Day's Change, Pct Change, Starting Index, Yen Index, DM Index, Local Index, Local % Chg on Day, Gross Div. Yield, US Round, Round, Yen Index, DM Index, Local Index, High, Low, Year Ago, % Chg. Rows include Australia, Austria, Belgium, Brazil, Canada, Denmark, Finland, France, Germany, Hong Kong, India, Ireland, Italy, Japan, Malaysia, Mexico, Netherlands, New Zealand, Norway, Singapore, South Africa, Spain, Sweden, Switzerland, Thailand, United Kingdom, USA, Americas, Europe, Nordic, Pacific Basin, Euro-Pacific, North America, Europe Ex. UK, Pacific Ex. Japan, World Ex. US, World Ex. UK, World Ex. Japan, The World Index.

MANILA, too, noted renewed foreign interest on hopes of an economic pick-up as the composite index jumped 52.77 or 2.05 per cent to 2,631.74 in 1,770m shares worth 1.770m pesos.

KUALA LUMPUR was pushed 2.7 per cent higher on buying of index-linked stocks by foreign funds and a drop in the index to 28.39 or 1,020.11 in volume that swelled to 289.6m shares from Tuesday's 137.9m.

Traders reported share price rises across the board as total volume hit 205.8m shares valued at A\$517.35m. Industrials to feature included the property developer Lend Lease, which reached record highs with a gain of 38 cents to A\$20.11 on scarcity value, and Biota Holdings, up 26 cents, or 14 per cent to A\$2.28 on expectations of an influenza vaccine announcement.

Founded in Italy in 1958, the company has been widely growing in the main foreign markets: in Europe, thanks to a network of production sites, it exists in Italy, Spain and Switzerland while, thanks to its marketing and sales structures, it also exists in France, Belgium, Holland and Greece. Beyond these regions, Bieffe Medical is active in the UK, Ireland, Scandinavia, Eastern Europe (Poland, the Czech Republic and Slovakia, Hungary), North Africa (Algeria, Tunisia, Libya, Egypt), the Middle East (Jordan, Kuwait, the U.A.E.) and America (Venezuela, Ecuador).

A dynamic company always in expansion

Bieffe Medical in 1995 reached a yearly production of more than 60 million units of parenteral solutions, some for dialysis, and more than 30 million pieces of equipment for their administration, having developed its own technology, which is promoted and sold successfully all over the world (the most recent objective reached was in China, where the group entered into a joint venture with the State owned company Tianjin Amino Acid).

Unique products in the peritoneal dialysis field

The core of Bieffe Medical's business is products

For further information post this coupon to:

Bieffe Medical Via Balestra 27 - CH-6900 Lugano tel. 41(0) 919228181 fax 41(0) 919226657

Name (Mr/Mrs/Ms)

Address

Postal Code

Tel. Code No. Fax Code No.

Handwritten note: مكتبة من الاصل